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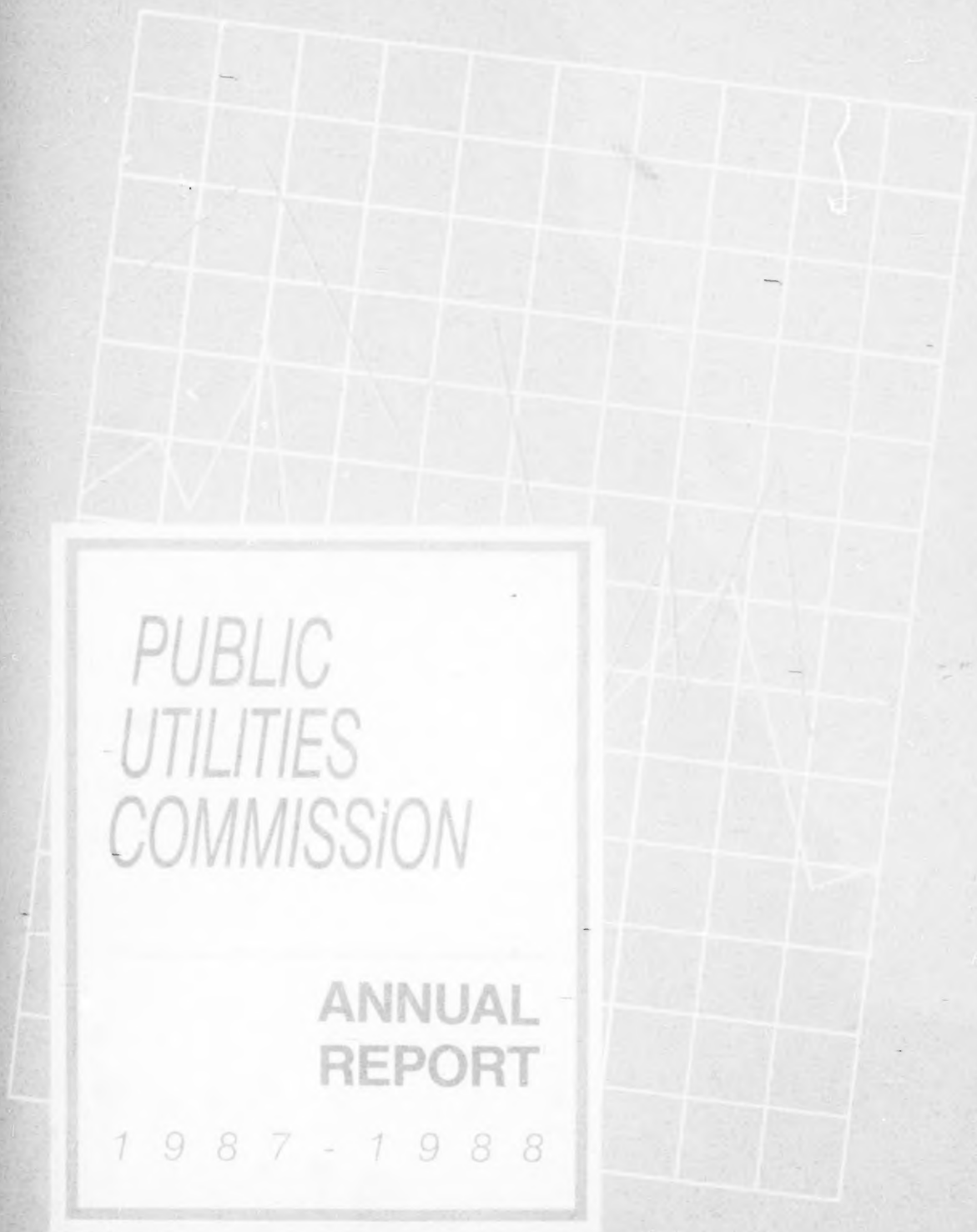
STATE OF

CALIFORNIA



PUBLIC UTILITIES COMMISSION

ANNUAL REPORT

1987-1988

STANLEY W. HULETT—President

DONALD VIAL—Commissioner

FREDERICK R. DUDA—Commissioner

G. MITCHELL WILK—Commissioner

JOHN B. OHANIAN—Commissioner

State of California
PUBLIC UTILITIES COMMISSION
ANNUAL REPORT
1987 - 1988

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LETTER OF TRANSMITTAL

The Honorable George Deukmejian
Governor of California

This fiscal year, the Commission moved aggressively to develop innovative regulatory approaches appropriate to the increasingly competitive and complex conditions in the utility industry.

The level of competition in the utility industry has been increasing for a number of years and we are now at the point where fundamental policy changes must be implemented to deal with a radically new and changing utility business. The Commission must accommodate these changes while upholding its basic regulatory goal: assuring that customers receive reliable and sustainable service at the lowest reasonable cost.

While market forces have gained increased importance in utility industries, achievement of this goal requires continued regulation, particularly of local distribution services where utilities continue to exhibit a substantial amount of market power. Our policy, therefore, is not deregulation, but rather appropriate restructuring of the role regulation plays in the new, more competitive utility marketplace.

Where competition is workable, our policy is to open markets for the benefit of consumers. Where competition is unlikely or impractical, however, we will maintain a regulatory framework that protects captive customers who have little market power and few alternatives to traditional utility service. The challenge is to design regulatory systems that are flexible enough to adapt to markets that are changing at phenomenal speed.

In telecommunications, the most significant event this year was the Commission's commencement of an investigation into alternative regulatory frameworks for local exchange telephone companies. This investigation could have far-reaching implications for California's residential and business customers.

Dramatic technological advances present the opportunity not only for lower costs for existing services, but also for a wide array of new information services that could have major benefits for the economy and society. This year has been marked by significantly lower rates for telephone subscribers as a whole.

However, local exchange companies argue that they need the flexibility to price new services competitively, and have proposed, among other things, to freeze basic rates in return for such flexibility. The Commission is intensively investigating these and other proposals to determine whether they promise benefits to ratepayers and the California telecommunications infrastructure as a whole.

The Commission is continuing to participate in proceedings before the Federal Communications Commission (FCC) which have major implications for California consumers. As federal policy becomes clearer, we have been able to move ahead with our own programs at a faster pace, allowing customers to reap the benefits of new services and network efficiencies.

In electricity, California's electric utilities are restructuring and preparing for an increasingly competitive environment. This year, the Commission approved an application by Southern California Edison Company to form a holding company; however, the Commission imposed stringent safeguards to protect ratepayers from cross-subsidization and self-dealing. The Commission is also studying merger proposals involving San Diego Gas and Electric Company.

Several other significant events occurred this fiscal year. Most important, the Commission's Division of Ratepayer Advocates has reached a settlement with PG&E and the Attorney General which would base rate recovery for the Diablo Canyon nuclear project on the project's actual performance. The Commission must consider whether the settlement fairly balances the interests of the utility and ratepayers.

Looking to the future, the Commission defined the bidding procedure to be used to price utility purchases of power from independent generators, which are expected to represent a major source of future electricity supply. The bidding system will allow ratepayers to benefit from competition in electric supply. The Commission has continued to implement a program that provides utilities with pricing flexibility and places them at risk for the loss of industrial load.

The Commission also urged the Federal Energy Regulatory Commission to move with care on proposals to restructure the electric industry.

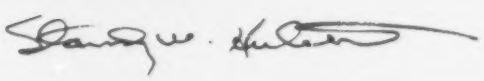
In gas, we concentrated our efforts on implementing our new regulatory framework. This new framework was put into place on May 1, 1988. The Commission continued its investigation into providing large customers with new unbundled service options such as gas storage. In addition, the Commission investigated the events and significance of curtailments in Southern California during the winter of 1987.

In transportation, the Commission convened an informational hearing on its regulation of the trucking industry. Participants to this hearing identified a number of problems with the Commission's current regulatory policies, and the Commission is considering opening a formal investigation. Further, the Commission has continued to examine the issue of truck and bus safety, and it has taken further steps to coordinate its activities more closely with those of the California Highway Patrol.

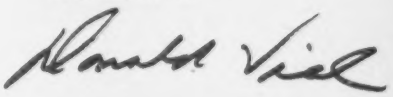
Future Prospects

California's utility industries are changing in fundamental ways. The future holds out both opportunities and risks for California consumers. Of utmost importance to the Commission is maintenance of a healthy infrastructure to support California's growing economy, while assuring at the same time that captive ratepayers are provided with adequate safeguards and reliable service at reasonable rates. In this context, we look to a future where ratepayers can capture the benefits and efficiencies that will be gained from a system that relies increasingly on market forces.

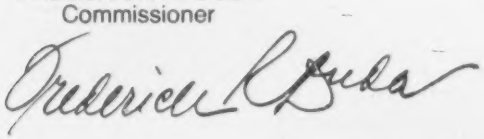
STANLEY W. HULETT
President



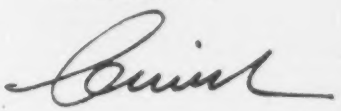
DONALD VIAL
Commissioner



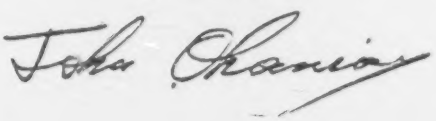
FREDERICK R. DUDA
Commissioner



G. MITCHELL WILK
Commissioner



JOHN B. OHANIAN
Commissioner



THE COMMISSION

From left to right: Commissioner John B. Ohanian, Commissioner Frederick R. Duda, Commission President Stanley W. Hulett, Commissioner G. Mitchell Wilk, Commissioner Donald Vial

The California Public Utilities Commission (PUC) regulates the service and rates of more than 25,000 privately-owned utilities and transportation companies serving California including privately-owned gas, electric, local and long distance telephone, radio-telephone, water and steam heat utilities and sewer companies; railroads, buses, trucks, and vessels transporting freight or passengers; and carloaders and pipeline operators.

The PUC does not regulate city-owned or district-owned utilities, or "mutual" water companies.

The major utilities which the PUC regulates, and the acronyms you will find used for them in this report are: American Telephone and Telegraph Company—California (AT&T-C), General Telephone Company (GTE-California), Pacific Bell (Pacific), Pacific Gas & Electric Company (PG&E), San Diego Gas & Electric Company (SDG&E), Southern California Edison Company (Edison), and Southern California Gas Company (SoCal Gas).

In November of 1987, the names of three PUC divisions were changed to better describe their functions. The Public Staff Division is now the Division of Ratepayer Advocates and you will see it referred to throughout this report as DRA. The Evaluation and Compliance Division is now the Commission Advisory and Compliance Division and referred to in this report as CACD. The Policy and Planning Division is now the Strategic Planning Division. The functions of these and other PUC divisions are described in more detail in the Organizational Functions section of this report.

STANLEY W. HULETT
President

Stan Hulett was appointed to the Public Utilities Commission by Governor George Deukmejian on May 6, 1986, and on December 22, of the same year, was elected by unanimous vote as President of the Commission to serve a one-year term. Mr. Hulett also serves as a member of the California Transportation Commission, representing the PUC on that body.

Mr. Hulett was born in San Francisco on July 31, 1938, and is a fourth generation Californian. He was educated in public schools in Willits, Mendocino County, and graduated from Menlo College in 1958 and Stanford University in 1960 with a degree in Political Science.

After ten years in the lumber industry, he joined the staff of former representative Don H. Clausen (R-CA) as legislative assistant. He later served as Associate Director of the National Park Service and Deputy Director of the Interior Department's Bureau of Outdoor Recreation. Following government service he was a Vice President of the American Paper Institute in Washington, D.C., and Executive Vice President of the California Forest Protective Association in Sacramento, California.

Returning to government after the election of President Reagan, Hulett served the Department of the Interior as Assistant to the Secretary and Director of Congressional and Legislative Affairs. Hulett returned to California to serve as field representative for the Interior and also for the Secretary of Energy.

Hulett is a member of the Executive and Electricity Committees of the National Association of Regulatory Utility Commissioners, and has served on numerous boards of directors of public organizations. He is married to the former Mary Ann Minenna of San Francisco.

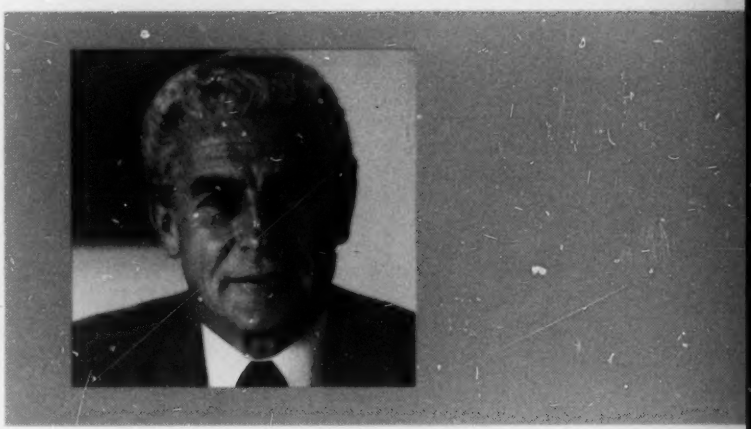
DONALD VIAL
Commissioner

Donald Vial was appointed to the PUC on December 21, 1982 by Governor Edmund G. Brown, Jr. to a six-year term.

Prior to his PUC appointment, Commissioner Vial served for 8 years as Director of Industrial Relations for the State of California, and member of the Governor's Cabinet.

Following military service in Europe during WWII, he returned to California to complete his education at the University of California, Berkeley. He received a BA degree in Political Science and a Masters degree in Economics.

Commissioner Vial held various positions, ranging from Labor Economist to Director of Research & Education in the 13 years he was employed with the California Labor Federation, AFL-CIO, and its predecessor, the California State Federation of Labor, AFL.



In 1964 he combined the fields of education and labor to become chairman of the Center for Labor Research and Education at the Institute of Industrial Relations on the Berkeley campus of the University of California, where he remained until 1975.

Commissioner Vial has enjoyed several gubernatorial and legislative appointments in the past, such as, chairperson of the Program Advisory Committee to the California State Office of Consumer Counsel, 1963–66; member of the Hospital and Related Facilities Planning Committee, 1965–67, and member of the Advisory Council on Public Employee Relations, 1972–73.

He has served on numerous Boards of Directors; the Industrial Relations Research Association, the Consumer Research Foundation, KQED, ACLU OF Northern California, and California Association of Consumers. He belongs to the American Federation of Teachers (inactive status) and is widely published in a number of labor related publications.

Commissioner Vial resides with his family in San Rafael.

FREDERICK R. DUDA
Commissioner

Frederick R. Duda was appointed to the Commission by Governor George Deukmejian on Nov. 27, 1984 to fill the unexpired term of former PUC President Leonard M. Grimes, Jr. He was re-appointed for a six-year term on January 1, 1985.

Commissioner Duda was born in Chicago, Illinois. His education at the University of Illinois at Champagne was interrupted by the Korean War, in which he served with the 69th Topographic Engineering Company. After his honorable discharge from the U.S. Army, he returned to college. He received his B.S. Degree in Management and Economics at the University's School of Commerce. At Illinois, Commissioner Duda was on the President's Scholastic Honor Roll and was a member of the University's Scholastic Honor Society.

He worked as a manager for Montgomery Ward & Co. from 1951 to 1954. From 1954 to 1959 he was a marketing executive for Shell Oil Company.

He attended the University of San Francisco Law School and received his JD Degree in 1959. In private law practice over a 25-year period Commissioner Duda's legal career included a variety of specialized legal work: criminal law, negligence, warranty, product liability, and maritime and admiralty matters. He served as General Counsel for Local 192 of the Amalgamated Transit Union, AFL-CIO, which represents 2,000 AC Transit workers. He has served as Judge Pro Tem in the Hayward-San Leandro Judicial District Municipal Court and as an arbitrator for the American Arbitration Association and Superior Court of Contra Costa County.

In East Bay communities Commissioner Duda has served on the Board of Directors for Children's Hospital Foundation, the Fred Finch Youth Center, United Bay Area Crusade (Board of Trustees), Oakland Symphony Orchestra Association and as president of various clubs including Kiwanis Club of Lake Merritt and the Lake Merritt Breakfast Club. He also served as lieutenant governor of Division Two of the Cal-Nev-Ha District of Kiwanis International.

In addition, he founded and was chairman and coordinator of an Oakland drug abuse prevention and education program for elementary and high school students. He has also served as Director of the Alameda-Contra Costa Committee for Employment of the Handicapped. He won the Kiwanis Club "Man of the Year" award in 1967.

He is presently a member of the Commonwealth Club of California. He is Of Counsel to the law firm of Duda, Rahim and Ratto, Professional Corporation and continues to serve as President and trustee of Frederick R. Duda Professional Corporation and its Retirement Trust.

He is a general partner of the Allen-Duda Real Estate Investment and operating partnership of Orinda, California. He is married to Barbara Benjamin Duda, his wife of 36 years. They have two married sons, Russell Elliott Duda of Oakland, California, and William Eric Duda of Atlanta, Georgia.

G. MITCHELL WILK
Commissioner

G. Mitchell Wilk was appointed to the Public Utilities Commission on December 16, 1986 for a six-year term by Governor George Deukmejian.

Prior to his appointment to the Public Utilities Commission, Commissioner Wilk served as Special Assistant to the Governor's Chief of Staff in the Deukmejian Administration following his initial appointment in February 1984 as Deputy Legislative Secretary to the Governor responsible for business, labor, and consumer affairs legislation.

Commissioner Wilk was born and raised in Summit, New Jersey. He attended American University in Washington, D.C. where he received both his Bachelor's and Master's degrees in finance and economics. During his undergraduate studies, he was employed on the staff of Congressman William E. Minshall.

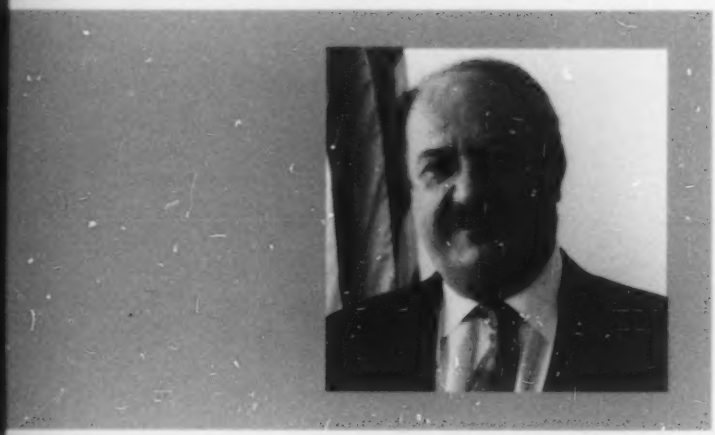
Following his undergraduate education, Mr. Wilk served in the U.S. Army from 1969–72, during which time he was assigned to the 8th Special Forces Group in the Panama Canal Zone, and later with the Pentagon's Congressional Liaison Division.

Upon his Honorable Discharge from the military, Commissioner Wilk was employed with GEICO Insurance Companies in Washington, D.C. in a variety of management and senior staff positions. He later became a Financial Consultant with Arthur Young & Company in Washington, D.C. where he participated in a variety of federal government consulting projects.

In 1977, Mr. Wilk became a Financial Analyst and federal lobbyist for the American Insurance Association specializing in taxation and investment issues pending before Congress and regulatory agencies.

In August 1979, he accepted a position with Fireman's Fund Insurance Companies in San Francisco as Assistant Vice President of Government Relations, where he had nationwide responsibility for government and public affairs. Mr. Wilk was active in the California Business Roundtable and President of the Bay Area Corporate Public Affairs Council.

Commissioner Wilk currently makes his home in Belvedere, California.



JOHN B. OHANIAN
Commissioner

John B. Ohanian was appointed to the Public Utilities Commission by Governor George Deukmejian on March 4, 1987. His term of office will be for six years.

Commissioner Ohanian was born in Alexandrette, Turkey, on August 29, 1937. He was raised in Beirut, Lebanon. He came to the United States for his college education. He attended the California State University in Fresno from 1959 to 1963. From 1963 to 1965 he attended the Northrop University in Los Angeles where he received his Bachelor of Science Degree in Mechanical Engineering.

Upon graduating, Commissioner Ohanian was employed by the Teledyne Corporation as a research and development engineer. From 1966 to 1969, he was employed by the State of California Water Resources Department as a mechanical engineer. There, he designed portions of the California Aqueduct system and its respective pumping plants.

From 1969–1983 Commissioner Ohanian was employed by the California Public Utilities Commission in the Transportation Division. He served as an expert witness in numerous Commission proceedings.

In 1983, Commissioner Ohanian was appointed by Governor Deukmejian to his Office of Planning and Research as the Chief Deputy Director and as Director of the Office of Permit Assistance.

Commissioner Ohanian resides in Fresno with his wife Eileen, his daughter Nicole, and his son Shant.

LOWER RETURNS FOR REGULATED UTILITIES

The Commission's decisions reflected the improved economy and favorable market conditions by adjusting returns allowed to utility investors to be more consistent with current economic indicators and to be more in line with the results of the various financial models used to estimate appropriate returns on common equity.

As a result, utilities' returns have gradually declined from the highs of the early eighties when authorized rates of return were close to 13 percent and returns on equity investments were at 16 percent. During fiscal year 1987–88, rates of return on rate base allowed by the Commission to its regulated utilities ranged from 10.43 percent to 11.87 percent and returns on common equity ranged from 12 percent to 13.10 percent. The overall rates of return decreased approximately 66 to 87 basis points [100 basis points = 1 percent] from last year's returns while earnings rates on common equity dropped an average of 78 basis points.

In addition, as interest rates remained relatively low, utilities continued to refinance their high cost long term securities. Most bonds issued during the eighties had 5-year no-call provisions because of the high coupon rates attached to the issues. Consequently, as a result of the lapse in the no-call provisions, utilities have been replacing these high coupon bonds with long-term fixed debt. Also, short-term variable rate debts were locked in with longer term fixed rate issues. Some utilities have even opted to redeem their more expensive preferred stocks. These transactions, in effect, helped reduce the embedded costs of long term securities.

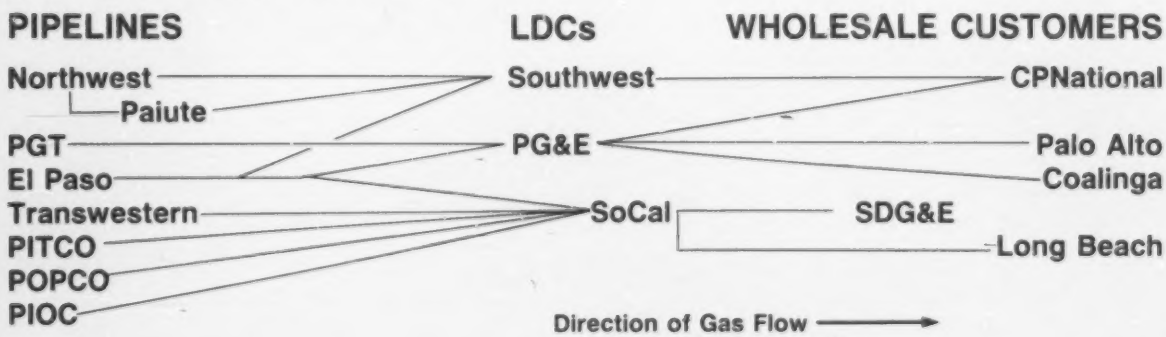
1988 Financial Attrition Filings

A review of the return on common equity is made for each energy utility which files for an annual attrition rate adjustment. During 1987–88, PG&E, SDG&E, Sierra Pacific Power Company (SPPC), SoCal Gas, and Southwest Gas Corporation (SWG) sought attrition adjustments for 1988. The rate of return reviews for these utilities were consolidated into a single proceeding. Common equity returns requested by the utilities ranged from 13.75 percent to 14 percent. The DRA recommended a return on equity in the range of 11.75 percent to 12.75 percent.

After hearings in the fall of 1987, the Commission authorized the following rates of return for these utilities for attrition year 1988:

Utility	Return on Rate Base	Return on Equity
PG&E	11.03%	13.10%
SDG&E	10.86%	12.75%
SPPC	10.43%	12.90%
SoCal Gas	10.93%	12.75%
SWG	11.87%	12.90%

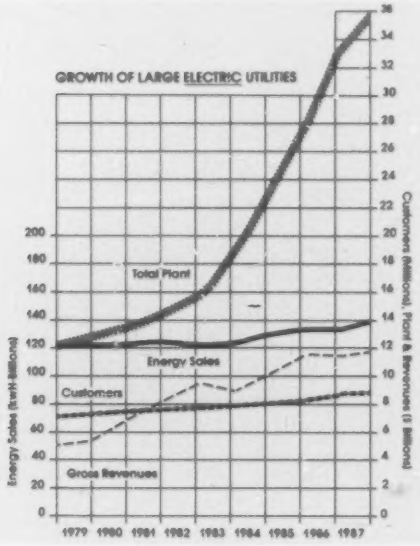
COMPANY RELATIONSHIPS



PROMOTING COMPETITION IN THE ELECTRIC INDUSTRY

With the steady improvement of small-scale generation technology, the option of customer self-generation is becoming a viable competitive alternative to utility service. While this form of competition can result in long-run benefits, it also results in short-run rate increases to customers who continue to take service from the utility and must bear the cost of excess capacity caused by customer bypass.

Although the Commission supports economic customer bypass, it is actively implementing changes in revenue allocation and rate design to discourage uneconomic bypass. Uneconomic bypass occurs when a utility customer generates or purchases electricity at a cost higher than the utility's marginal cost of service, but lower than the utility's current rates.


GROWTH OF LARGE ELECTRIC UTILITIES
Total Plant
Energy Sales
Customers
Gross Revenues
Energy Sales (kwH Billions)
Customers (Millions), Plant & Revenues ($ Billions)
1979 1980 1981 1982 1983 1984 1985 1986 1987

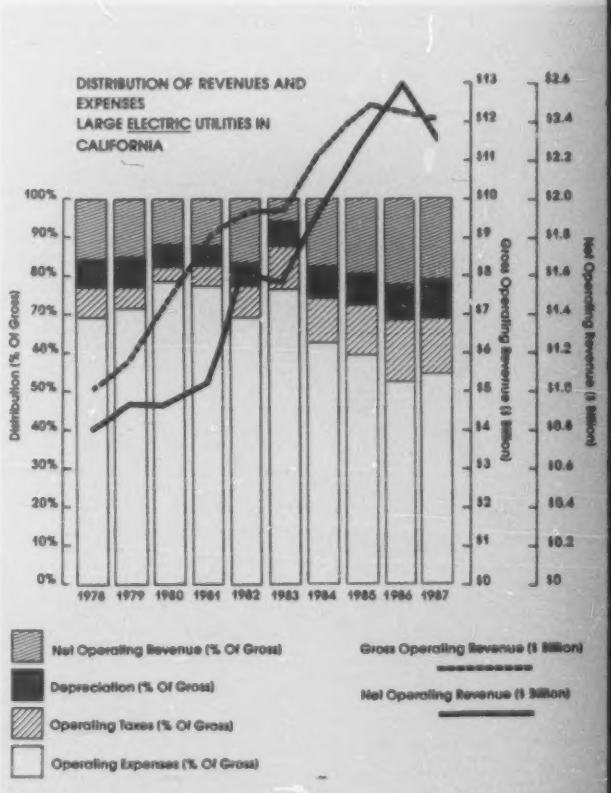
Electric Revenue Allocation

To make utility-generated electricity competitive with customer self-generation, the PUC has adopted a policy for allocating revenue responsibilities to customer classes which reflects better what would occur in a freely competitive market. In free competition, prices will tend toward marginal cost, the cost of producing the last unit.

The PUC is phasing in an electric revenue allocation policy called "equal percentage of marginal cost" (EPMC). EPMC sets a class' contribution to the revenue requirement proportional to the costs it imposes on the utility at the margin. SDG&E will reach full EPMC this year, while Edison and PG&E will require two years or more to reach full EPMC. The phase-in process will take longer for these two companies in order to protect smaller customers whose rates have traditionally been subsidized, from sudden rate increases.

The EPMC methodology is also being refined to reflect not only marginal generation and transmission costs, but also the marginal cost of hooking new customers onto the utility distribution system.

More attention is also being given to how distribution costs are allocated. Since generation shortages were a major focus in the late 1970's, all distribution costs have been allocated to reflect peaks at the generation level. However, there are also peaks on the distribution system independent of generation peaks, and the distribution system must be sized to accommodate these peaks. The accuracy of the revenue allocation methodology is being enhanced by allocating common distribution costs using noncoincident demand.


DISTRIBUTION OF REVENUES AND EXPENSES
LARGE ELECTRIC UTILITIES IN CALIFORNIA
Distribution (% Of Gross)
Gross Operating Revenue ($ Billion)
Net Operating Revenue ($ Billion)
1978 1979 1980 1981 1982 1983 1984 1985 1986 1987
Net Operating Revenue (% Of Gross)
Depreciation (% Of Gross)
Operating Taxes (% Of Gross)
Operating Expenses (% Of Gross)
Gross Operating Revenue ($ Billion)
Net Operating Revenue ($ Billion)

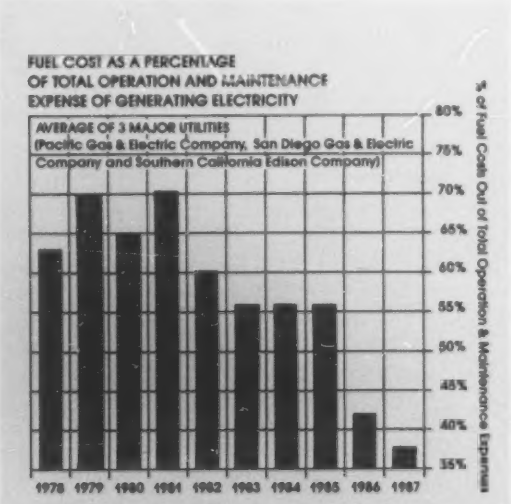
Electric Rate Design

Another method for preventing uneconomic bypass is use of special contracts. Special contracts are rates negotiated for customers who might continue to find bypass economically attractive even though the utility's marginal cost of serving that customer is lower than the customer's cost of self-generation.

During the past year, the Commission has changed its procedures in order to allow both utility and customer a fast-track in signing special contracts. A new Expedited Application Docket (EAD) helps the utility and customer obtain a speedy Commission decision on a special contract application.

Also, the Commission has adopted a set of guidelines for special contracts (D.88-03-008) which assists the utility and customer in understanding the basic provisions required in each special contract. Compliance with these guidelines ensures treatment under the EAD procedure and rapid review of the contract by the Commission.

Southern California Edison introduced a new addition to special contracts during this past year by agreeing to serve two customers with electricity at peak periods under discount rates. These sales contracts produced additional revenues from customers who had either reduced or eliminated their purchase of electricity during high cost peak periods. Under the rigorous rules proposed by Edison and approved by the Commission, other ratepayers, Edison, and the individual customer all benefited from this arrangement.



Effect of the Drought on Electric Rates

During years of normal precipitation, PG&E produces 25 percent of its electricity through hydroelectric generation. Without normal runoff, the utility must turn to other more expensive ways to produce power including Diablo Canyon Nuclear Power Plant—which in 1987 produced 25 percent of all the power PG&E generated—and its gas-fueled and/or oil-fueled power plants as well as purchasing power from other utilities.

It is reasonable to expect the utility to seek a rate increase to cover the additional expenses of its power productions from these alternate sources and in April 1988, PG&E asked the PUC to authorize a 6.2 percent increase in its electric rates for residential customers and a 5 percent increase for agricultural customers. A Commission decision is expected in late 1988.

RESTRUCTURING THE NATURAL GAS INDUSTRY IN CALIFORNIA

Beginning with a series of major decisions in 1986 (D.86-12-009 et al.) the Commission began to restructure California's natural gas industry by separating the markets utilities serve into core (residential and small commercial customers) and noncore (large commercial and industrial customers) segments. While utilities still provide bundled service (procuring gas and transporting it to the burner tip) to core customers, who rely on utility gas supply and transmission service, they provide unbundled services to noncore customers, who have alternative fuel sources. This restructuring is aimed at fostering more competition between utility service and alternative fuel sources available to noncore customers.

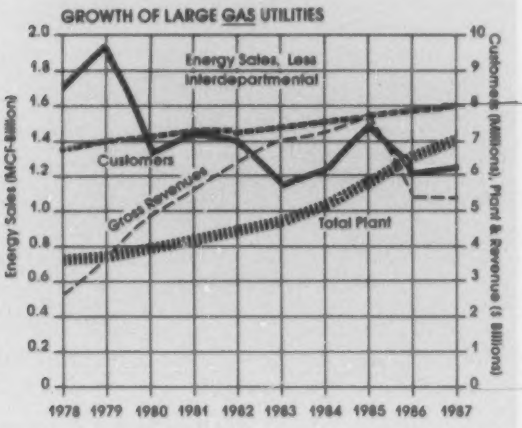
Extensive hearings were held throughout 1987 on rate design, cost allocation, utility obligations to serve, and unbundling of utility services. In D.87-12-039 issued in December 1987, the Commission directed utilities to implement a number of new policies including:

- Rates determined on the basis of recorded utility costs.
- Non-core customers may choose to purchase gas from either their local distribution company or arrange their own supply purchases. Regardless of the customer commodity choice, the utility will transmit the gas to the noncore customer.

Transmission rates are negotiable with an embedded cost-based rate design ceiling.

- Utilities have developed core and noncore gas portfolios. The core portfolio consists of long-term contracts and stable supplies for price stability. The non-core portfolio will consist of spot and short-term purchases intended to fluctuate with market conditions.

To foster more competition and more incentive for increased efficiency in the utility industry, utilities have also been given an increased amount of risk. They no longer are guaranteed rate recovery of their fixed costs for serving the noncore sector.

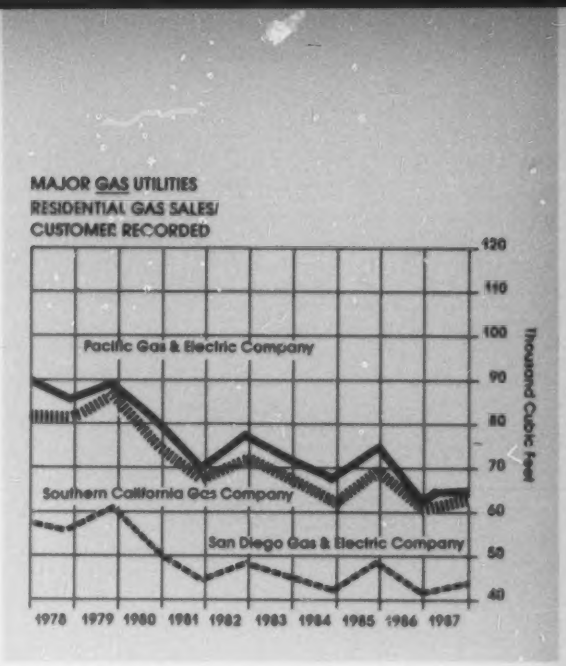


Gas Cost Allocation

The Commission has continued to lay the groundwork for the restructuring of the natural gas industry by formalizing the method of gas cost allocation for the interim period (D.87-12-039) and ordering marginal cost studies from the major gas utilities (D.87-05-046). These decisions are designed to continue moving the industry toward increased competition and cost-based pricing, while minimizing large, abrupt rate changes for customers.

Gas portfolios for core and noncore customers were divided as of May 1, 1988. As part of D.86-12-010, annual cost allocation proceedings will take place to allocate each utility's margin between core and noncore markets. The first of these proceedings is set to take place in September 1988.

While rates are still based on embedded costs during the interim period, the Commission has continued to make progress toward marginal cost pricing.



Gas Rate Design

The rate design for core customers gives the same average rate to the residential class and the commercial class. Within the commercial class, customers are assigned by size and a declining block is offered to foster competition at the margin. The residential rates include baseline rates and a higher second tier rate. The Commission has refined the method for calculating the baseline rate by redefining the "system average rate". The baseline rate now must be set at a discount from the core gas costs plus the total utility fixed costs.

Rates set for the noncore markets are set on an unbundled basis; there are separate charges for gas, customer demand and service. Unbundled rates allow customers to receive signals about the actual costs of each component so they can evaluate their service options. These customers would be served on an interruptable basis.

Gas utilities filed their proposed tariffs on February 1, 1988. New rates were adopted by the Commission and went into effect on May 1, 1988.

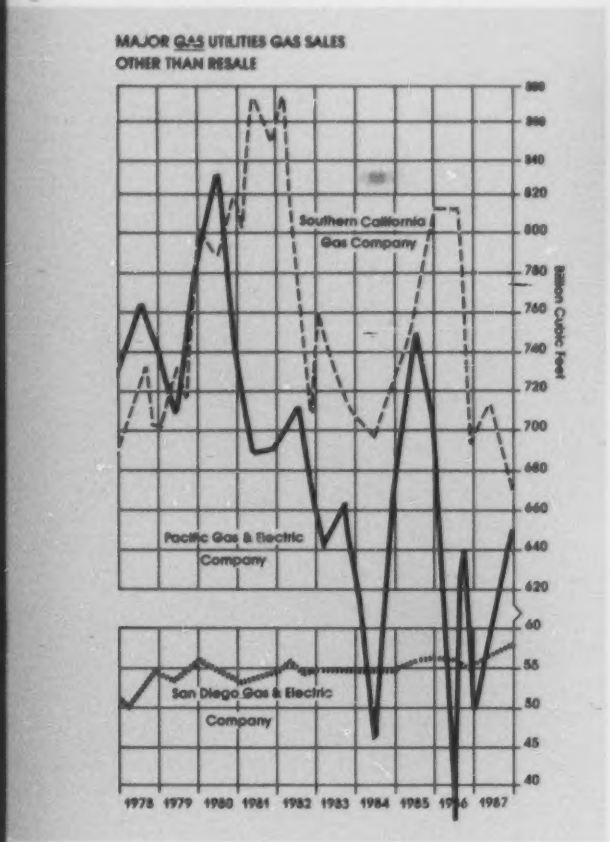
SETTLEMENTS AND STIPULATIONS

The PUC has increased the use of negotiated settlements with utilities as an alternative to lengthy and costly litigation.

In 1987, the DRA coordinated a settlement with Southern California Gas Company concerning its general rate case.

In 1988, two more settlements were reached. The first was stipulation for recovery of the $448 million post start-up investment costs for San Onofre Nuclear Power Plants II and III. The settlement reduced projected costs to ratepayers by $41.2 million.

Additionally, DRA reached an agreement with San Diego Gas & Electric company of the utility's general rate case. As a result, SDG&E reduced its request for the amount to be collected from ratepayers in 1989 by $28.8 million. Although DRA thoroughly investigated SDG&E's expenditures and projections as it routinely does in all rate cases, the negotiated settlement significantly reduced the PUC's administrative burden while achieving a very satisfactory settlement for ratepayers.


MAJOR GAS UTILITIES GAS SALES
OTHER THAN RESALE
Southern California Gas Company
Pacific Gas & Electric Company
San Diego Gas & Electric Company
Billion Cubic Feet
1978 1979 1980 1981 1982 1983 1984 1985 1986 1987

Diablo Canyon Settlement Proposed

On June 27, 1988, the PUC's Division of Ratepayer Advocates (DRA) announced a proposed agreement with Pacific Gas & Electric Company (PG&E) and the state Attorney General's office to settle the Diablo Canyon Nuclear rate case. The proposed agreement would settle the ratemaking treatment of about $5.5 billion of plant costs, and all future Diablo-related costs. The agreement is subject to approval by the Commission following public hearings scheduled for late 1988.

The proposed agreement establishes an innovative approach to utility ratemaking called performance-based pricing. Under performance-based pricing, PG&E would only earn revenues based on a pre-established price for each kilowatt-hour of electricity generated by the plant. If the plant performs well, the utility will earn greater revenues. Conversely, if Diablo Canyon does not operate efficiently, the shareholders will bear the costs of its poor performance.

[From left to right] State Attorney General John K. Van de Camp and PUC Division of Ratepayer Advocates director Bill Ahern explain a proposed settlement of the Diablo Canyon case to the press.

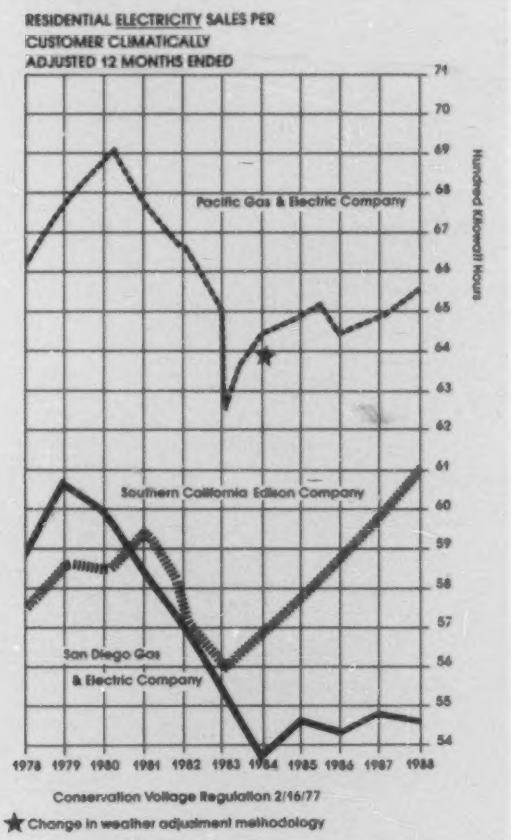
Other provisions of the agreement include:

- The only Diablo-related costs to be included in rates not covered by performance-based pricing would be plant decommissioning costs and nuclear fuel expenses.
- A declining-value floor provision whereby PG&E can request minimum payments if the plant capacity falls below 36 percent.
- Payments on a declining scale would be made if the plant had to be abandoned prior to the end of the 30-year agreement.
- Creation of an independent safety committee which can make recommendations concerning the safe operation of the plant.

The DRA Diablo Team was formed in May 1984 and includes an interdisciplinary team of

technical staff, attorneys, and outside expert consultants.

In May 1987, the Team released its three-year study recommending that PG&E not be able to recover through electric rates $4.4 billion of its $5.5 billion investment for Diablo Canyon. That recommendation was based on an in-depth investigation of PG&E's actions in siting, design, and construction of Diablo Canyon.


RESIDENTIAL ELECTRICITY SALES PER
CUSTOMER CLIMATICALLY
ADJUSTED 12 MONTHS ENDED
Hundred Kilowatt Hours
Pacific Gas & Electric Company
Southern California Edison Company
San Diego Gas
& Electric Company
1978 1979 1980 1981 1982 1983 1984 1985 1986 1987 1988
Conservation Voltage Regulation 2/16/77
★ Change in weather adjustment methodology

The DRA charged the cost overruns in building the plant were due to unreasonable management. Diablo was originally projected to cost $320 million. Instead, a chain of events required plant modifications and the plant was virtually designed and constructed three times. Consequently, by the time both units began commercial operation in 1986, the cost of the plant had grown to $5.5 billion.

Although the $2 billion disallowance built into the terms of the proposed settlement agreement is less than the $4.4 billion proposed by the May 1987 DRA staff study, the staff believes that the settlement represents an equitable deal for ratepayers. Given the possible outcomes of a final decision after litigation, the $2 billion plus equivalent disallowance would represent the largest disallowance of its type adopted by any public utilities regulatory commission. Furthermore, the uncertainties inherent in operating nuclear plants would be borne by shareholders. Traditionally, these risks have been borne by ratepayers. An additional positive aspect of the settlement would be savings for ratepayers to occur without the costly and lengthy hearing process which would otherwise be required.

Short-run Payments Paid to QFs

As more electricity is purchased from Qualifying Facilities (QFs) under the Public Utilities Regulatory Policy Act of 1978 (PURPA), the need to provide accurate pricing to QFs is becoming more important. QFs generate electricity through cogeneration, wind, and other new technologies and sell it to utilities.

QFs are paid energy prices equal to the product of the current gas price multiplied by an "incremental energy rate" (IER), which is the system avoided cost divided by a gas price. This allows the most recent gas price to be reflected in QF payments. To increase the accuracy of QF pricing and reduce forecasting error, the Commission is now updating IERs annually in ECAC proceedings. The gas prices are updated quarterly.

In addition, QFs are also paid capacity price, now also updated annually. A capacity payment reflects the contribution of QFs to system reliability. The methodology for calculating capacity prices has also been improved to reflect not only the probability of electricity outages from capacity shortages but also the amount of unserved energy that would occur in any forecasted shortages.

Ultimately, the most accurate pricing policy for QFs is one where prices are updated virtually every hour. PG&E is conducting such an experiment in QF "real time pricing" (RTP). Hourly pricing would allow QFs to adapt their operations to ongoing conditions of the utility's system to offset utility generation when it is the most expensive, thereby minimizing overall cost.

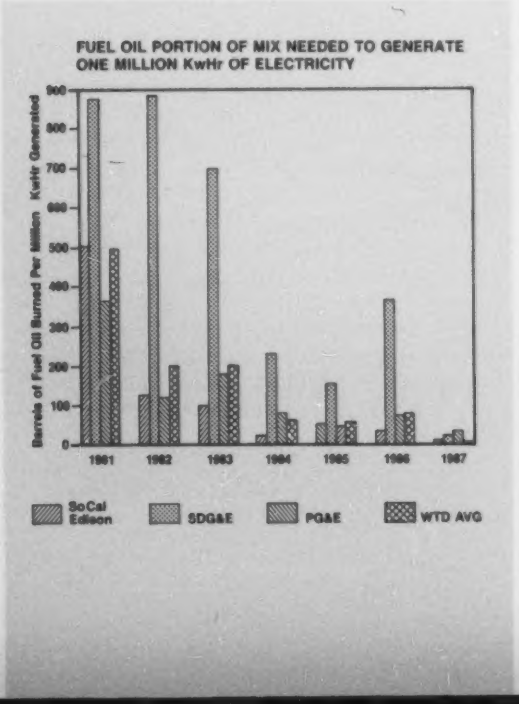
Investigation of Edison's Contracts With QFs

The annual review of Edison's 1988–89 Energy Costs Adjustment Clause (ECAC) includes an investigation of the reasonableness of nonstandard power purchase contracts with over 50 cogenerators and small power producers known as QFs. This investigation was initiated during the 1986–87 ECAC proceedings to look at payments totaling $736 million for the 1985, 1986, and 1987 Record Period. During the 1987 Record Period, Edison's power purchase contract payments from a total of 225 QFs, totaled $440 million. This includes $390 million in payments to 52 QFs with nonstandard contracts.

The Commission decision on these payments will have an effect on the future payments for these contracts, which amount to many billions of dollars, over the life terms of the contracts.

QF Contract Administration

In OIR.88-06-007, the Commission will establish guidelines for administering power purchase contracts between electric utilities and QFs. The guidelines are intended to provide utilities with sufficient guidance to negotiate modifications to contracts without seeking pre-approval from the Commission, and to reduce the number of formal requests for pre-approval. This case is expected to reach the Commission for decision in September of 1988.



Inter-utility Wheeling

PUC staff is investigating the issues related to inter-utility wheeling arrangements in the purchase and exchange of power and has reviewed new contracts submitted to the Federal Energy Regulatory Agency (FERC) by Pacific Gas & Electric Company which involved new pricing plans for power purchases and wheeling transactions. Although no formal Commission investigations are under way, a series of white papers on wheeling issues will be completed in the next year. It seems that state commissions are waiting for the FERC to take the lead.

DIVERSIFICATION

The recent move by energy utilities to diversify their operations into related and unrelated activities requires close PUC scrutiny in order to make sure that the resulting new organizations do not impact ratepayers adversely, and that ratepayers will not subsidize nonutility operations of the company in any way. During 1987–88, the Commission reviewed these cases:

Edison's Holding Company

The Commission authorized Southern California Edison to proceed with a modified version of its A.87-05-007 plan to reorganize into a holding company.

Conditions for the reorganization aimed at protecting Edison's customers and shareholders included: PUC maintains its regulatory control over Edison; Edison's customers are to be insulated from the effects of activities carried out by the unregulated subsidiaries; Edison must provide the PUC with all information necessary to analyze Edison's costs and to monitor the relationships between Edison and its affiliates; costs incurred by Edison because of the activities of its affiliates are to be recovered from the affiliates.

PP&L/Utah Merger

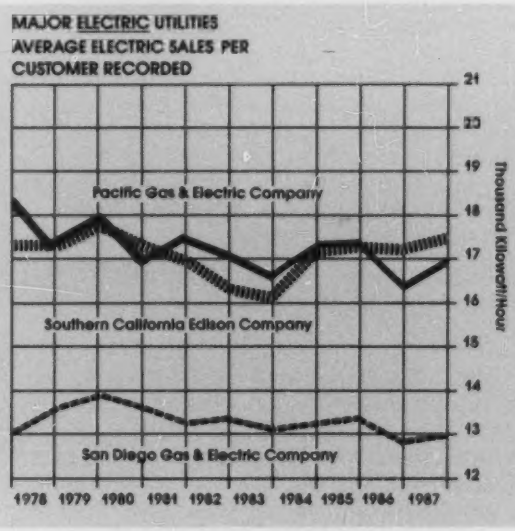
When Pacific Power & Light applied to the PUC to merge with Utah Power & Light in 1987, DRA analyzed the application and made several recommendations that would benefit California ratepayers. Those recommendations were stipulated to by the utility and included in the Commission's decision to approve the merger.

Devers-Palo Verde #2

The review of Southern California Edison's certificate of public convenience and necessity application for the Devers-Palo Verde #2 (DPV #2) Transmission Line went to hearings in the summer of 1987 and was in the draft ALJ decision stage before a contract between Edison and the Los Angeles Department of Water and Power that had significant implications for the DPV #2 project was discovered by DRA staff. In order to avoid the possibility of decisions being made from an inaccurate record, DRA and Edison agreed to jointly re-study the DPV #2 project.

This unprecedented approach will allow Edison's new DPV #2 application, Edison's testimony, and DRA's testimony to be gleaned from the same body of work now underway as Phase 2 of the joint study. Thus, any differences in Edison's and DRA's positions will be based on differing viewpoints or interpretations of the analysis, and not on the models, assumptions, and data used in formulating the analysis.

Another benefit from this work has been the development of innovative methods for valuing features of transmission lines that have been unquantifiable in the past including: stability, interconnection support, air quality, overall system operating costs, Southwest economy energy imports, and changes in QF payments. It also improved methods for valuing benefits that were considered in earlier hearings.



Perhaps the most notable achievement of the joint DRA/Edison effort is the development of the Southwest Energy Resource Assessment Model (SERAM). This model is now being used by DRA and Edison, and has been requested by the state's other investor-owned utilities and the California Energy Commission.

STANPAC

The Standard Pacific Gas Line Incorporated (STANPAC), predominantly owned by PG&E, has filed a new application to reconstruct 56 miles of the existing 118 mile STANPAC No. 2 natural gas transmission pipeline.

The STANPAC No. 2 high pressure natural gas pipeline connects the Panoche Junction valve lot in Fresno County to the Brentwood Terminal in Contra Costa County. When implemented, the replacement program, staged in a series of 19 projects, will substantially increase the maximum operating pressure of the system which, in turn, will increase north-south capacity by almost a factor of six. The reconstruction projects will improve the operational safety and reliability of the system which was originally built in the 1930s; and also enhance the operational flexibility and capacity of the entire PG&E gas system.

A draft environmental impact report is expected to be published in October 1988 with hearings expected in January 1989, and a Commission decision as required by state law to be made prior to May 1, 1989.

COTP Rejected

The first applications filed by the state's three major investor-owned utilities (Pacific Gas & Electric Company, San Diego Gas & Electric Company and Southern California Edison) for the proposed California Oregon Transmission Project (COTP), a 500 kV transmission line from Central California to the Oregon border, was rejected in May 1987 for a number of deficiencies. The utilities filed their second applications in October 1987 and when they again were rejected, the utilities appealed to the full Commission. The Commission upheld the rejection, but ruled that only one deficiency identified by staff was, in their opinion, a reasonable basis for rejection—the definition of the project south of the Tesla Substation.

As this Annual Report was being prepared, PG&E and the other participants in the COTP

were close to signing the transmission "principles" for service south of the Tesla Substation. This agreement would facilitate successful refiling of the COTP applications.

PUC Review of FERC NOPRs

The PUC has reviewed and is preparing comments to the FERC on three Notices of Proposed Rules (NOPR). The three NOPRs address how new supplies of electricity should be priced and who should be allowed to provide the new supplies in addition to the traditional franchised utility in its own service area. The NOPRs propose rules for avoided costs, use of bidding systems to determine avoided costs, and a class of new electricity providers known as Independent Power Producers.

The NOPRs potentially affect the competitiveness of California utilities as importers of electricity into California, and the PUC will review the proposals to protect California customers from any potential inefficiencies and inequities the new rules may create.

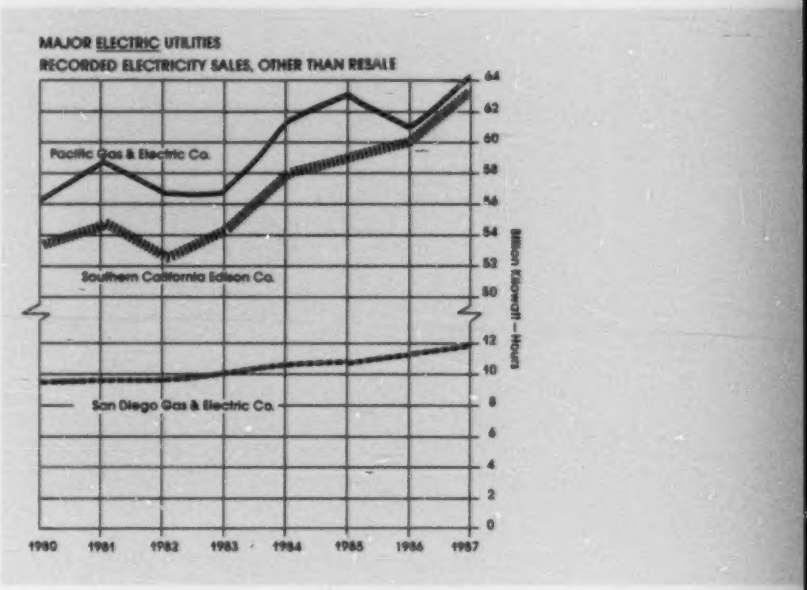
BPA'S Near Term Intertie Access Policy

In May 1988, the PUC filed a Petition for a Writ of Certiorari with the U.S. Supreme Court on the Bonneville Power Administration's (BPA) Near Term Intertie Access Policy (NTIAP). BPA adopted a NTIAP in September 1984 which allocates access to the federal portion of the Pacific Intertie for the sale of electrical power by the Pacific Northwest (PNW) to California.

The primary purpose of the allocation is to increase the amount of revenues that BPA receives for its sales to California. To accomplish this objective BPA formed a cartel between itself and all sellers in the PNW. The cartel arrangement eliminates competition and results in higher prices for the electricity sold to California.

It is estimated that since September 1984, the BPA and Pacific Northwest utilities have received nearly $1 billion more with than they would without the NTIAP. Because the PNW uses this revenue to lower electricity rates within the region, PNW electricity rates are nearly $1 billion less than they otherwise would have been over this period.

The U.S. Court of Appeals for the Ninth Circuit found in November 1987 that the NTIAP is not in violation of law. The PUC has appealed this decision to the U.S. Supreme Court. The appeal asks the Supreme Court to review: (1) whether the restrictions imposed by BPA so affect rates as to require review by the FERC under federal law; (2) whether the restrictions imposed by BPA constitute unlawful discrimination; and (3) whether the restrictions imposed by BPA conflict with its responsibility to maintain maximum competition. The California Energy Commission (CEC) has filed a similar appeal.



BPA Long Term Intertie Access Policy

On May 18, 1988, the BPA announced a new plan to govern access to the Pacific Intertie called the Long Term Intertie Access Policy (LTIAP). In both purpose and effect, the LTIAP is nearly identical to the NTIAP. The PUC and the CEC have each filed a petition with the Ninth Circuit for review of the LTIAP.

Free Trade Agreement

The PUC's president and the California Energy Commission's chairman jointly sent a letter in December 1987 appealing to the California Congressional delegation to approve the proposed Free Trade Agreement between Canada and the U.S. in order to open the electricity market on the West Coast to free trade for all U.S. citizens, not just for those in the Pacific Northwest. The proposed Free Trade Agreement substantially removes

barriers to trade and tariffs between Canada and the U.S.; however, it contains an exception for the BPA Intertie Access Policy.

Vineyard 230 kV Transmission Line

PG&E applied for authority to build and operate the Vineyard 230 kV transmission line in October 1986 to serve the growing Pleasanton area. In January 1988, an interim decision (D.88-01-062) by the Commission gave PG&E the authority to construct the line all underground due to significant environmental impacts, but ordered PG&E to first complete additional studies on the underground route and the San Ramon substation alternative not previously considered. PG&E petitioned to have the hearing reopened and to have one of the previous alternatives—60 percent underground—be reconsidered due to new evidence. PG&E's petition was granted and the 60 percent underground alternative will be considered with the other alternatives.

Line Extension Rules

An investigation was initiated into line extension rules and practices for electric distribution lines and gas main lines which carry energy from the transmission point to customers. The objective of the investigation is to align the existing rules and practices of the major electric and gas utilities in a fair and equitable manner consistent with current Commission policy.

AB 475

AB 475 (Moore) requires the Commission to evaluate computer models used by the utilities and interested parties in PUC proceedings. The mathematical algorithms used by various models are also being evaluated, using sensitivity analysis and other tests in order to determine the impact of different algorithms on model results. This analysis should result in shifting the PUC proceedings' emphasis to the soundness of participants' assumptions and contributions; and consequently, relitigation of the reliability of the computer models to which the assumptions are applied should be reduced.

The Second Annual Report to the Legislature filed in December 1987, reported on (1) a proposed rule drafted by DRA for access to computer models used by all parties in all regulatory proceedings, and (2) the results of DRA's continuing investigation into a major class of computer models, production cost models.

Two major modeling issues were identified. The first was the need for unit commitment logic to reasonably capture the actual plant dispatch practices of utilities. Unit commitment logic would allow modeling for each power generating unit, the decision process for dispatch determination. The second issue was the characterization of economy energy transactions, that is, low cost energy purchased in the spot market. This characterization addresses the availability, price and time of day differentiation of economy energy. This is surplus energy, sometimes in abundance, but it can also disappear at a moment's notice.

Another major conclusion in the Second Annual Report was the importance of the choice of modeling conventions applied to input data and the effect of input data choices on the outcome of the modeling process.

In Spring 1988, the Commission issued DRA's draft computer model access rule as a proposed rule (R.88-04-030) and asked for public comments. Other AB 475 work in the first half of 1988 focused on continued research into production cost models and several new areas in which computer models are relied upon: operations models used by electric, gas, and telecommunications utilities; telecommunication planning models; electric reliability models; and transmission planning models used by electric utilities.

AB 475 Rolling Review Process in ECACs and GRCs

The AB 475 production cost model "rolling review" has now matured to the point of integrating it formally with PUC Energy Cost Adjustment Clause (ECAC) and General Rate Case (GRC) proceedings rather than conducting a separate model review outside of the proceedings. In ECAC proceedings, a utility seeks an adjustment in rates to offset changes in the cost of fuel used to produce electricity.

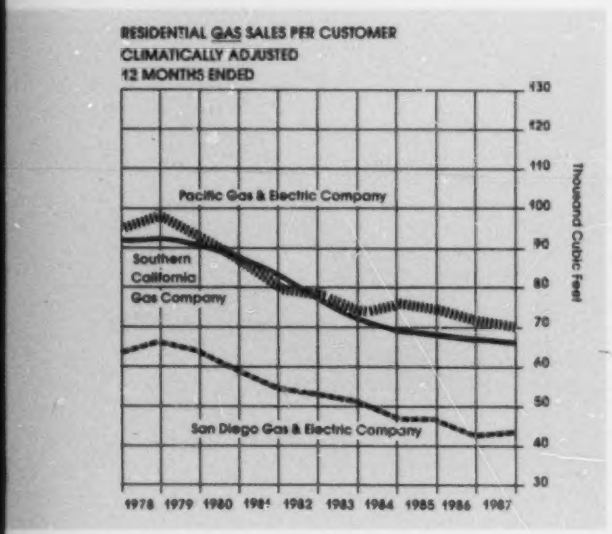
This ongoing model review and assessment process allows models to compete with each other in adversarial proceedings as opposed to the PUC conducting one-time independent evaluations of models prior to allowing their

use in proceedings. This reduces the barriers to entry of new models into proceedings, given that independent PUC evaluations require several months, and allows model enhancements without the need for new independent evaluations.

This model evaluation process was used successfully in the PG&E and Edison ECAC proceedings in 1988.

RD&D

OIR.87-10-013 initiated in the Fall of 1987 is intended to improve the way the PUC reviews utility research, development and demonstration programs. If approved by the Commission, it will result in a comprehensive biennial staff report of the research programs of the four large energy utilities, as well as improved communication and cooperation between the PUC and the California Energy Commission on RD&D issues.



Decommissioning

Final drafting and implementation of nuclear decommissioning master trust agreements for the three nuclear power utilities has been completed. The Commission Advisory and Compliance Division's Accounting and Finance Branch will monitor and evaluate the financial performance of the trust funds and oversee the trust committees' management of the financial trustees and investment managers.

Management Performance Assessment

Utility management performance must be evaluated to ensure that ratepayers receive good quality service at minimum cost levels over the long run and that utilities are operated in a sound financial manner. The PUC is currently evaluating the management performance of several electric and gas utilities. The current focus of this project is an investigation into why SDG&E's rates are higher than those of other utilities.

Demand Side Management and System Modeling

In D.87-12-066, the Commission authorized for Edison total funding levels of about $54 million dollars for DSM programs to reduce or shift electric load in the long run. SDG&E (A.87-12-003) has stipulated to DRA's program recommendations which include a funding level of $12 million to promote energy efficiency. A Commission decision is expected in late 1988.

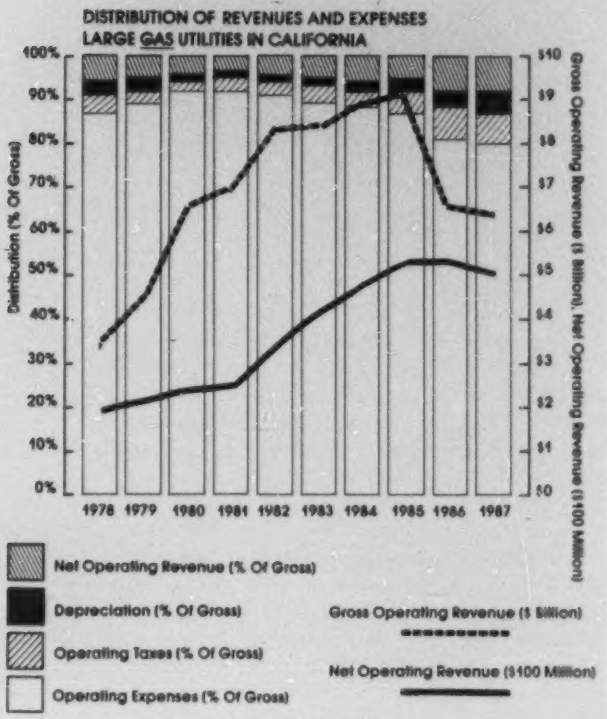
Cost-effectiveness evaluations of DSM programs are being reviewed with the expectation of improving procedures for comparable treatment of demand and supply alternatives as resource options. As part of the Commission's "Three R's" (Risk, Return and Ratemaking) proceeding, utility payments to customers, who could economically bypass the utility system, for purposes of installing energy efficient equipment were adopted as a possible alternative to special rates (D.88-03-088).

A new manual for DSM programs has been developed. The "DSM Reporting Requirements Manual" should help utilities to establish greater consistency in reporting and evaluating DSM programs. It identifies the kind of information the utilities are to include in their annual reports to the PUC and establishes a set of common definitions for different types of DSM programs.

Chronological Production Cost Models

The DRA staff has embarked on an evaluation of chronological production cost models. These computer models simulate utility dispatching operations on an hourly level and may provide more accurate hourly marginal energy costs than models which aggregate the data. With the advent of cheaper computing resources, a number of such models are being

introduced onto the market. The PUC and utilities have increasingly greater need for accurate information on hourly marginal costs as time-of-use rates are made available to more customers.



Multi-Factor Productivity

Today, more than ever, telephone, gas and electric utilities must strive to meet increasing competition by controlling their costs. Improvements in productivity play an essential role in these competition-driven cost-control efforts. Productivity gains increase the efficiency with which inputs are transformed into useful outputs within the production process.

The Commission has expressed its intention to move away from "micro-management" of utilities. Instead it intends to rely increasingly on broad bottom-line measures of utility performance in its ratemaking proceedings. The major advantage of multifactor productivity is that it gives an overall evaluation of a regulated company's efficiency in providing service to its customers.

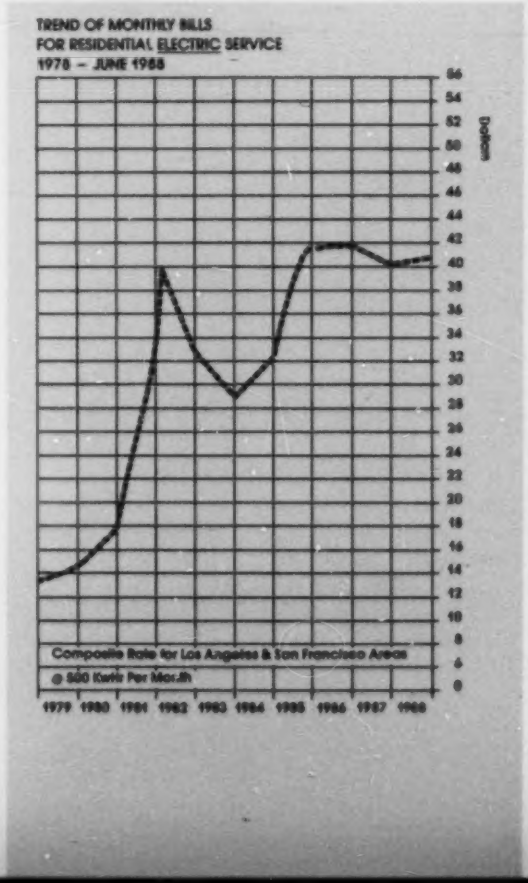
Using its measure of multi-factor productivity DRA estimated productivity gains resulting in savings of over $181 million for General Telephone of California's general rate case for test year 1988. General Telephone did not forecast productivity savings for test year 1988. Hence, DRA's estimate is the only one available upon which the Commission can base its decision.

Tax Law Changes Continue To Impact Ratemaking

In 1987–88 utilities have had to adjust rates to respond to the effects of the Tax Reform Act of 1986 (TRA-86) which changed how the utilities recover their costs of operation. This task will continue well into 1988–89. The completion of the Commission's Tax OII resolved ratemaking tax issues related to TRA-86 but California's conformity to TRA-86 added more changes.

After the FCC rewrote its uniform system of accounts for telephone utilities, the federal and state tax ramifications had to be looked at covering items previously capitalized but now expensed. Balancing account treatment allows time to look at these items more closely.

The year continued to exhibit the trend by government, both federal and state, to influence the way income tax is calculated for ratemaking purposes. As each new tax act is passed, the impact upon ratemaking and utility rates becomes more apparent.


TREND OF MONTHLY BILLS
FOR RESIDENTIAL ELECTRIC SERVICE
1978 – JUNE 1988
Dollars
Composite Rate for Los Angeles & San Francisco Areas
@ 500 Kwhr Per Month
1979 1980 1981 1982 1983 1984 1985 1986 1987 1988

Bond Reacquisition Becomes A Tax Issue

As interest rates came down, utilities began reacquiring their outstanding bond issues in an attempt to replace high interest bonds with an issue at lower interest rates. The premiums paid to recall these bonds is a tax benefit to the utilities when they take a deduction on their tax return. Fair and equitable treatment of this benefit in ratemaking has been an issue appearing in many of the recent rate cases during the year.

GENERAL RATE CASES

SDG&E

DRA's Energy Auditing Branch critically reviews and analyzes major energy utility applications that seek authorization from the Commission for changes in rates, fuel costs, mergers, and other matters that affect ratepayers. Then it provides the Commission with analysis and recommendations on how the regulated utilities can provide adequate and reliable service at minimum cost to the ratepayers. Each utility has the burden of proof for its needs. In the SDG&E general rate case for test year 1989 (A.87-12-003), DRA recommended a $6.8 million disallowance in costs.

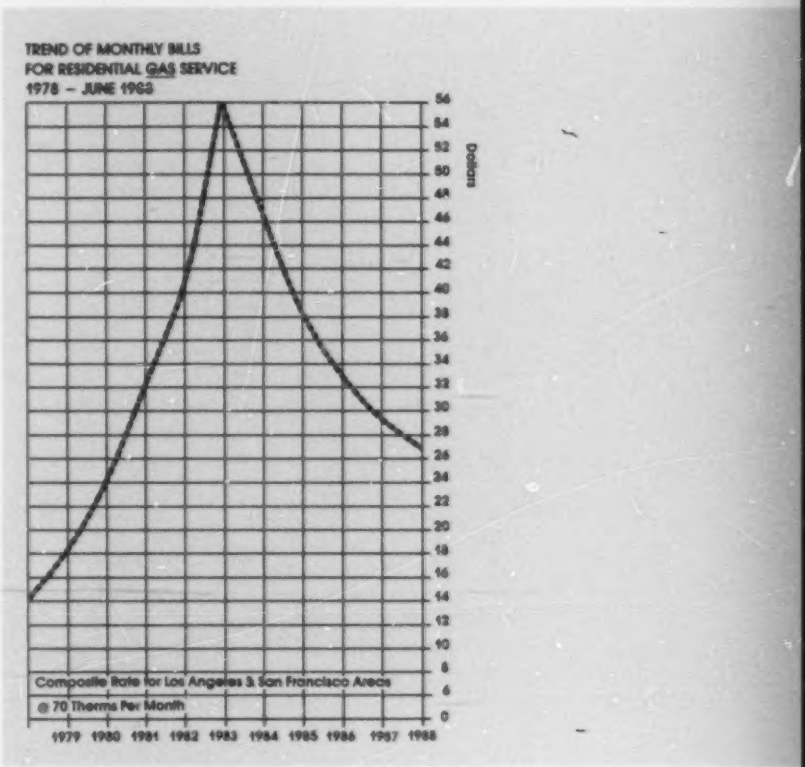
DRA reviewed San Diego Gas & Electric Company's (SDG&E) long term resource plan as part of SDG&E's test year 1989 general rate case and agreed with SDG&E that new capacity was needed by the summer of 1989. SDG&E agreed to give QFs an opportunity to defer major capacity additions through the solicitation of nonstandard contracts [the PUC also has Standard Offers (contracts) which are evaluated every two years]. SDG&E also agreed to improve its integration of planning new resources and funding conservation and load management programs. A decision in this case is expected in late 1988.

Edison

DRA investigates energy utilities' expenditures and recommends reasonable rate relief. In late 1987, persuaded by DRA's recommendation, the Commission reduced Southern California Edison Company's rate increase request for 1988 of $301.5 million by $295 million.

DRA also analyzed Southern California Edison's (Edison) long term resource plan (A.86-12-047,) and found that Edison had little need for resources in the immediate future, including some plans to refurbish existing oil/gas fired power plants.

DRA provides long range resource planning testimony in each general rate case. The purpose of this testimony is to assure that the three year rate case cycle takes into account long-term needs including Research, Development and Demonstration projects, new facilities, and Demand Side Management programs.


TREND OF MONTHLY BILLS
FOR RESIDENTIAL GAS SERVICE
1978 – JUNE 1988
Dollars
Composite Rate for Los Angeles & San Francisco Areas
@ 70 Therms Per Month
1979 1980 1981 1982 1983 1984 1985 1986 1987 1988

Pacific Gas Transmission

On April 30, 1987, Pacific Gas Transmission Company (PGT) submitted a general rate case filing in Docket No. RP87-62-000 at the FERC.

PGT owns and operates a natural gas pipeline which extends from the international border near Kingsgate, Canada to the California border near Malin, Oregon. PGT has one sales customer, PG&E, and two firm transportation customers, Northwest Pipeline Corporation and Pacific Interstate Transmission Company (PITCO). PGT also provides interruptible gas transportation to some other customers under Section 7(c) of the Natural Gas Act.

In response to the notice of intervention filed by the PUC in this case, the FERC agreed to permit the PUC to explore the issue of PGT's cost of service rate design methodology. The PUC has recommended a change in PGT's cost of service rate design.

On March 24, 1988, PGT and the PUC reached agreement on a comprehensive settlement which would decrease costs to PGT's customers, change PGT's rate design to put some of PGT's costs at risk and require PGT to implement interruptible transportation under Section 311 of the Natural Gas Policy Act. On June 14, 1988, the PUC convened a hearing on the matter.

SoCal Gas Reasonableness Review

On July 2, 1988, the PUC consolidated a record of four pending cases: the SoCal Gas Reasonableness Reviews of 1985-86, 1986-87, and 1987-88, and the investigation of SoCal Gas' gas curtailment during the winter of 1987–88.

Hearings were scheduled to begin August 1, 1988, on the issues of the 85–86 Reasonableness Review with the exception of the Monterey Park Landfill contract settlement issue. This issue is pending a decision by SoCal Gas on whether to appeal the Commission's D.88-06-029 of June 8, 1988, or to comply with the PUC's order by producing the documents at issue and filing its rebuttal testimony. SoCal Gas may also elect to withdraw its application for recovery of the settlement payment.

Major ECAC Cases

PG&E

PG&E's (A.87-04-005) reasonableness and forecast ECAC audit resulted in downward adjustments to the company's requested revenues of approximately $1.6 million together with some procedural accounting recommendations. A decision is pending.

Edison

DRA completed Edison's ECAC (A.88-01-016) reasonableness and forecast audit and recommended adjustments to the balancing account of $1.6 million in favor of the ratepayers. A decision in this case is pending.

DC Terminal Expansion Project

In D.87-12-066 issued on December 22, 1987, the Commission placed a cost cap of $80 million on Edison's request for rate treatment of the Direct Current Terminal Expansion Project. This project upgrades the existing DC transmission line of the Pacific Intertie System, transporting power from Oregon to Southern California. Edison had requested ratebase treatment of $104.6 million. The actual investment cost placed into ratebase will be either the actual reasonable cost incurred to construct the project, or $80 million, whichever is less. The project is estimated to be operational in early 1989, at which time the PUC will conduct a reasonableness review of the actual construction cost.

Utility Employee Compensation Level Evaluation

During 1987–88, DRA completed employee compensation level evaluations of SDG&E, Edison, and General Telephone. DRA will evaluate PG&E and SoCal Gas' compensation levels for a 1990 test year. DRA's compensation recommendation is based on the reasonableness of the company-wide level of all straight-time wages and salaries, and not on the level of specific employee categories or positions. Nevertheless, DRA analyzes each employee category in order to identify the contribution of each employee category to the company-wide market level of compensation.

DRA advocates a "macro-economic" perspective in its evaluation of a company-wide level of compensation. Thus DRA recommends a reasonable level of ratepayer funding for labor expenses, but recommends that the utility's management be allowed to allocate labor expenses among employee groups (professional, technical, clerical, physical). Thereby, the utility management is given the discretion of managing its labor resources and expenses within the bounds of DRA-recommended level of labor expenses.

DRA maintains that ratepayers' long term interests are best served when all utility expenses including compensation are reviewed for reasonableness. DRA will continue to evaluate California utility compensation levels where valid survey information and meaningful and accurate comparisons exist.

CP National Sells its last California Electric System

With the Commission's authorization, CP National sold its last electric system to the Lassen Municipal Utilities District on May 10, 1988. The sale affected some 10,000 electric customers generally located in the towns of Susanville, Westwood and Chester.

El Paso Natural Gas Company

On December 20, 1987, El Paso Natural Gas Company (El Paso) filed a general rate change at the FERC to increase its rates by $385 million. The PUC has protested the proposed rate filing by El Paso and requested a hearing in the matter.

El Paso has also filed several applications related to its Open Access Plan to become a permanent open access transporter of gas in interstate commerce. The PUC has intervened in these proceedings to ensure that the Open Access Plan is in the best interests of California natural gas consumers.

The PUC has intervened and protested El Paso's most recent Purchased Gas Adjustment filings and has challenged the reasonableness of El Paso's purchase practices and the magnitude of past undercollections in gas costs.

The PUC has intervened and protested El Paso's other filings at the Federal Energy Regulatory Commission (FERC), which seek the recovery of Take or Pay, RFX, and Account 191 costs; and is providing financial analysis to determine the reasonableness of the request and also the financial condition of the pipeline.

Transwestern Pipeline Company

The PUC has intervened and protested Transwestern Pipeline Company's (Transwestern) filings at the FERC for authority to direct bill 100 percent of its take or pay costs. The FERC rejected Transwestern's proposals and the PUC has intervened in Transwestern's appellate challenges to the FERC decisions.

INTERSTATE PIPELINE

Three interstate pipelines, Kern River Gas Transmission Company, Mojave Pipeline Company, and Wyoming-California Pipeline Company, have each applied to the FERC to build a natural gas pipeline into California to serve the enhanced oil recovery (EOR) market in Kern county. The PUC filed opposition testimony on jurisdictional and other concerns.

A decision on this matter is expected in 1989. Regardless of the outcome, it is expected that further litigation is possible.

CONSERVATION, LOAD MANAGEMENT AND BYPASS

Expenditures for conservation and load management continued to decrease from $418 million in 1986, to $312 million in 1986, and to $232 million in 1987. The reduction mirrored lower fuel costs which caused conservation and load management programs to be less cost-effective. Only the most cost-effective programs continued.

Along with the reduction in expenditures, there was a shift in emphasis from energy savings and peak load reduction to demand side management. All customers, from low-income residential to large industrial, were affected.

To some extent, nonresidential customers subsidized residential customers during the rapid rate inflation of the past decade. Recently, many of those nonresidential customers began looking into procuring their own power and bypassing the utility. Loss of large customers to bypass would make utility systems less efficient and cause rate increases for the remaining customers.

To retain those customers capable of bypassing their systems, the utilities in 1987–88 with Commission approval concentrated on helping them to reduce their energy costs. The utilities continued to offer incentives for conservation and load management measures that will reduce energy bills. They also moved toward implementing the Commission's new rate design (equal percentage of marginal cost) which will ultimately eliminate the subsidy to residential customers.

To mitigate hardships on low-income customers, the utilities in 1987–88 accelerated their direct assistance programs. Those programs provide for the installation of insulation and other weatherization measures and high efficiency appliances at no cost to low-income participants.

Electric Heat Pump Water Heater Cost-Effectiveness

The current low marginal electrical energy/demand costs of approximately 5 cents/kWh make it difficult for many energy conservation programs and devices to be economically cost-effective. However, the electric heat pump water heater is societally cost-effective based on a 20-year service life. This is true even for an average usage of 3,500 kWh per year and for earlier heat pump water heaters manufactured during 1980–81 or earlier.

Current heaters show about a 20 percent improvement in energy savings. Also, the cost-effectiveness is increased for higher usage customers. For example, at $1,200 equipment cost and 5,550 kWh usage, undiscounted participant payback periods of 5–6 years and a societal payback period of 9–10 years can be projected for current designs. Thus, in areas where natural gas service is not available, an electric utility incentive payment to reduce participant payback periods to 2–3 years may be justified.

Solar Demonstration Ends

Final rebate payments were made in April 1988, ending the Solar Financing Demonstration Program. This rebate program helped finance the installation of 285,900 single and multi-family solar units. As of December 31, 1987, the total program costs for the four-year solar program were $185,603,982. Since April 1985, the four utilities involved have been disbursing rebate payments to their participating customers. Edison made its last rebate payments in December 1986, PG&E and SDG&E in December 1987, and SoCal Gas in April 1988.

The chart below shows goals and achievements of the program. Only SoCal Gas offered a single family loan program, while Edison participated only in the single family electric rebate phase.

Direct Weatherization Programs

All eight California investor-owned energy utilities continued the PUC-mandated Direct Weatherization Programs through 1987 with good results. By the end of 1987, the eight utilities had weatherized 136,000 low-income dwelling units throughout California at a cost of $58 million. Since this program began, a total of 420,000 dwellings had been weatherized free of charge to eligible customers at a total cost of $218 million.

California's nationally recognized Direct Weatherization Programs, contracted by the utilities through private contractors and community-based organizations, provide free weatherization and energy-saving devices to qualified low-income homeowners and renters. In addition to installing ceiling insulation, energy efficient showerheads, weather-stripping, caulking, water heater blankets, and duct wraps, the utilities provide minor home repairs, energy audits and education.

Included among eligible customers are senior citizens on fixed incomes, the physically handicapped, and individuals who speak little or no English. Program costs are kept to a minimum by providing energy assistance through community-based organizations.

It is estimated that there are another 265,000 low-income dwelling units statewide in California remaining to be weatherized under the utilities' Direct Weatherization Programs. The programs for 1988 are expected to be

SOLAR DEMONSTRATION PROGRAM

Items	No. of Units Goals	No. of Units Actual	Percentage of goals Achieved (%)	Actual Expenses ($ Millions)
Single Family—				
Electric	70,940	21,410	30.2%	$ 15.1
Gas [1]	36,533	32,133	88.0	60.3
Multi-Family	264,724	222,992	84.2	60.9
Low-Income Grants	8,276	8,142	98.4	6.2
Administration [2]	–	–	–	43.1
Totals	380,473	284,677	74.8%	$185.6

[1] Includes 9,310 SoCal Gas customers who received loans.
[2] Includes $7,449,823 discount from sale of solar loans.

expanded and budgeted goals have been set to spend approximately $71 million.

Energy Education

The Commission has directed utilities to design and implement an expanded energy education program to help low-income families and elderly customers to reduce their energy use. Once their homes have been weatherized, the energy education programs are designed to encourage customers to adopt conservation habits by teaching them how to care for the weatherization measures installed, and how to keep their utility bills down.

SERVICE AND SAFETY

UNDERGROUNDING ELECTRIC LINES

The Commission continued to encourage California's electric utilities to replace existing overhead electric power lines with underground facilities. Since a September 1967 PUC decision, utilities have been systematically converting their overhead electric distribution systems and some transmission lines to underground. This improves safety, reliability and the environment.

In 1987, PG&E, Edison, and SDG&E allocated $86 million for the conversion program.

Line Safety Standards Change

The Commission updated its General Order No. 95 which governs the rules for overhead electrical line constructions to match the progress of technology or improvement of electrical components and equipment.

The PUC seeks input in proposed rule changes from the state's major electric power and telephone utilities, cable TV associations, and electrician unions.

The Commission is a non-voting member of the Electric Utility Service Equipment Requirements Committee. This committee is organized by the major electric power utilities in the western United States to improve the safety of various electrical equipment and to revise the equipment specifications for electrical manufacturers.

ELECTRIC METER TESTING PROGRAM

The three largest electrical utilities in California regulated by the PUC had 8.73 million electrical meters in service as of December 31, 1986 [the most recent data]. This is approximately 86 percent of all meters in use in California. During 1986, more than 476,000 new and used electric meters were shop or field tested. Over 91 percent of the field tested meters were within the +/−2 percent accuracy limits prescribed by utility tariff rules. The meter testing program resulted in the utilities rendering a total of $4.79 million in backbilling to customers for undercollection, whereas an overcollection of $157,387 was refunded to customers. These figures are lower than the previous years.

Removal of Hazardous PCB Equipment

In response to the Federal Environmental Protection Agency (EPA) requirement to remove all polychlorinated biphenyls (PCB) capacitors in electrical distribution systems by October 1988, all of California's major electrical utilities were expected to complete this work by the end of 1987.

EPA requires the removal and replacement of secondary distribution transformers containing PCBs to be completed by October 1, 1990. California's major electrical utilities are expected to complete this work also ahead of schedule.

Electric Line and Safety Standards for Light Rail Systems

Service and Safety staff inspected and reviewed the building standards for overhead electrical line systems in California's rapid transit districts. In 1987 the Sacramento trolley system was added to the light rail system. In 1988, the San Jose trolley system will become partially operational. The Long Beach and Los Angeles systems are still in the planning and construction stages.

New PUC Environmental Unit

In early 1988 a new PUC unit was established to advise the Commissioners and to review, enforce, and undertake special projects in environmental areas of concern to the Commission.

This unit will look into Commission concerns on such topics as landfill gas carcinogens, possible relationships between powerlines and childhood cancer, and separation of review and advocacy functions in the processing of applications.

In 1988, the unit provided environmental information regarding water service expansion and cellular radiotelephone problems, answered Commission and legislative inquiries on the health effects of transmission lines, and studied possible toxic contaminations of natural gas.

GAS METER TESTING SAVINGS

The three largest regulated gas utilities—Pacific Gas & Electric Company, Southern California Gas Company and San Diego Gas & Electric Company—reported saving $12,940,000 during 1987 by implementing a statistical meter removal program in lieu of the 10-year meter change-out program.

Gas utilities refunded approximately $314,000 to customers and backbilled approximately $4.3 million. The refunds were for fast metering and the backbills were for slow metering. Over 477,000 meters, 5.7% of the 8.4 million meters in service, were tested under Commission standards.

Heating Value of Natural Gas

California consumers are supplied with natural gas that is produced from various sources within the state, from western and southwestern United States and from Canada.

The average heating value, per cubic foot, of California sources gas for 1987 was 974 Btu for Northern California and 1,070 Btu for Southern California. The average heating value, per cubic foot, of out-of-state gas ranged from 1,010 Btu to 1,175 Btu.

Hazardous Gas Meter Locations

The PUC continued to monitor SoCal Gas' ten point gas safety program established in 1984. SoCal Gas' "Reportable Incident Measurement System" is unique to the nation's gas utility industry. Using this system SoCal Gas identified an overall reduction in company-contributed gas accidents of approximately 18 percent in the 12 month period ending on October 31, 1987 compared to the previous 12-month period.

SoCal Gas conducted a system-wide inspection in 1987 to identify all undesirable gas meter conditions. Focusing on four areas of particular concern to the PUC, the utility identified 415,000 meter locations needing correction because of one of the following conditions: vehicular traffic exposure; buried shut-off valves; meters underneath structures with no visible shut-off valves; or enclosed meter regulators without venting. As of June 30, 1988, the utility corrected more than 20,000 meter-set-assemblies that had been identified as being exposed to vehicular traffic in commercial and industrial locations.

PUC staff also met with SDG&E, CP National, Southwest Gas and PG&E on the need to review their policies and procedures in evaluating hazardous meter locations. Sampling studies are being conducted by these utilities to quantify the problem and find ways to resolve it.

Mobilehome Parks

AB 3681 enacted on January 1, 1987 in order to enhance gas pipeline safety, requires that mobilehome park owners, who supply natural gas to their tenants, submit annual reports to the State Housing and Community Development Agency (HCD). The PUC is required to review reports submitted to HCD to assure compliance with Federal safety standards which include provisions for adequate corrosion protection and leak surveys.

In 1987, the staff processed 1,808 reports and notified those owners that had deficiencies. Response from the affected owners was good and most of the deficiencies in their reports were corrected.

CONSUMER AFFAIRS

The PUC Consumer Affairs Branch handles protests, complaints and inquiries from individual utility customers, and keeps the Commission informed of consumer concerns and utility activity.

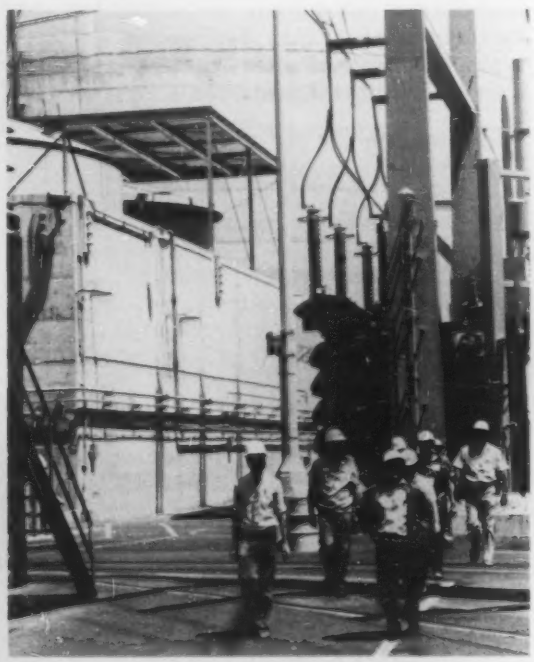
Consumer Affairs offices are located in San Francisco and Los Angeles. During the 1987–88 fiscal year, the PUC received more inquiries and complaints than in any previous year. This large increase was in part due to the establishment in July 1987 of toll-free 800 telephone numbers for the Consumer Affairs offices and to consumer concerns about these issues:

TELECOMMUNICATIONS:

Increase in the number of regulated carriers
976 Information Services
Backbilling by US Sprint
Customer-owned Pay Telephones (COPT)
Alternate Operator Services (AOS)
Cellular Telephones
Centralized Credit Check System (CCCS)
Automatic Dialing Announcing Devices (ADAD)

ENERGY:

Baseline rates and allocations
Increased energy diversion
High energy bills and inability to pay
Agricultural rates
Nuclear Plants
Rule changes



Southern California Edison provided PUC Public Affairs staff with an overview of the role of nuclear power in meeting California's energy needs and a tour of San Onofre Nuclear Power Plant.

TELECOMMUNICATIONS

The Commission has instituted several investigations which may change the nature of telecommunications regulation in California.

ALTERNATIVE REGULATORY FRAMEWORK OII FOR LOCAL PHONE COMPANIES

In September 1987, the Commission held a legislative-style en banc hearing to listen to views on what alternatives it should consider to the current cost-of-service regulation for local exchange telecommunications companies (LECs). The Commission is looking at this issue because in the wake of the 1984 AT&T divestiture, changing technologies and federal regulation have turned the local market for some services into a potentially competitive market.

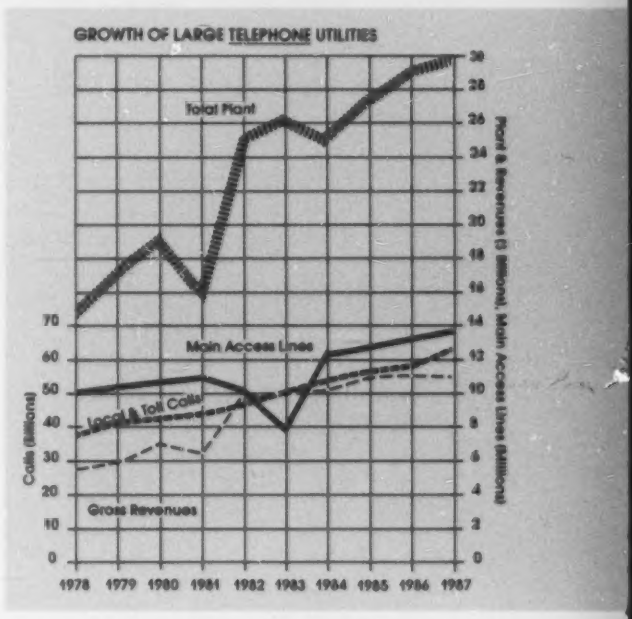
The Commission asked for input on: universal service; economic efficiency; encouragement of technological advancement; financial and rate stability; full utilization of the local exchange network; avoidance of cross-subsidies and anti-competitiveness; and low-cost, efficient regulation.

After hearing and considering a wide range of views on such subjects as definitions of basic service, the potential for competition, and the problems with the current regulatory system, the Commission decided to open a broad investigation into the future of telecommunications regulation for local phone companies, and issued an Order Instituting Investigation (I.87-11-033) on November 5, 1987.

Phase I of this investigation will examine the appropriateness of pricing flexibility and increased competition for selected services, including centrex, private line services, and "vertical services" such as call waiting and call forwarding. Phase II will consider alternatives to the current form of regulation for monopoly services and new services, including how the revenue requirement and rates should be set in the future. Phase III will consider whether toll markets within local telephone service areas should be opened to competition.

Testimony was filed for Phase I in January 1988. Before hearings began, however, several parties—including the Division of Ratepayer Advocates, local phone companies, long distance carriers and some user groups—reached a proposed settlement. The settlement, if approved by the Commission, would allow local phone companies to: lower prices for centrex and vertical services to cost; compete for high-speed private line services; and enter certain contractual agreements.

Phase II of the investigation is scheduled to begin in the summer of 1988 and Phase III will follow.


GROWTH OF LARGE TELEPHONE UTILITIES
Total Plant
Main Access Lines
Local & Toll Calls
Gross Revenues
Calls (Billions)
1978 1979 1980 1981 1982 1983 1984 1985 1986 1987

Relaxed Regulation for AT&T-C?

In anticipation of renewed requests by AT&T Communications of California Inc. (AT&T-C) for deregulation, the Commission issued OII 85-11-013 in July 1987 mapping out two approaches, either of which AT&T-C could use to request increased regulatory flexibility, and specifying the supporting information and analyses that AT&T-C would need to submit along with an application.

The 'Prediction Approach' emphasized prediction of the effects of regulatory flexibility and would require AT&T-C to demonstrate that

it lacks significant market power in providing a given service before the PUC grants substantial regulatory flexibility.

The 'Observation Approach' emphasized experience with limited flexibility and the PUC would then base subsequent decisions to continue, expand, or rescind flexibility depending on the actual costs and benefits it produces for California ratepayers. AT&T-C filed its application under the Observation Approach. A decision is expected before the end of 1988.

The Commission has emphasized that any relaxation of AT&T-C would be limited at first and done as a step-by-step, continuous process closely monitored by the PUC to assess marketplace responses and benefits or costs to ratepayers.

PROBLEMS WITH COPTS PROMPT INVESTIGATION

Customer-owned private pay telephone service (COPTS) originated in a 1984 order by the Federal Communications Commission (FCC), and a confirming order by the PUC in 1985 which required local telephone companies to permit linkup of privately-owned pay telephones to the local telephone systems.

Responding to numerous complaints from consumers as well as payphone companies, the Commission in April 1988 initiated an investigation (I.88-04-029) of COPT services.

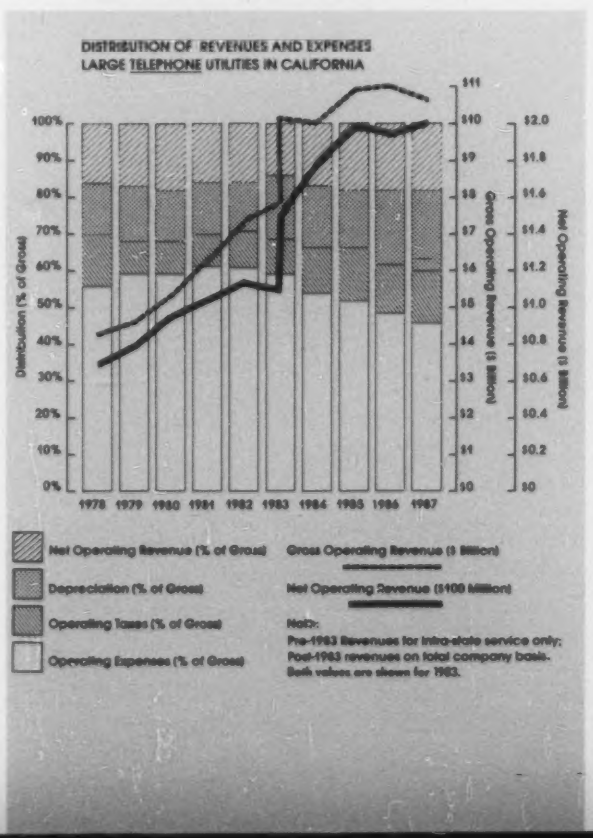
The local phone company which has traditionally been the monopoly provider of pay phone service, has faced competition in this market since late 1985, when the Commission authorized competition in D.85-11-057. Since then, the Commission has received numerous complaints from customers who are confused by the absence of a uniform standard of pay phone operation, or in some cases, angry about service provided by private operators.

Consumers have complained that they are overcharged for local and long distance phone calls made from COPTs, while COPT providers have alleged that Pacific Bell has engaged in anticompetitive practices such as payment of unfairly large commissions to keep its payphones in prime business locations. Local phone companies have complained that private operators have placed their pay phones in areas where heavy use makes them profitable but as a result they can't maintain the current coin rates or place pay phones in non-profitable areas where they are still needed by the public.

Phase I of the investigation examines whether local phone companies are using resources from other regulated services to subsidize their retail pay phone operations and unfairly compete with private operators.

Phase II of the investigation examines customer service issues and the provision of "public policy" pay phones. These pay phones don't generate enough revenue to break-even, but are required to be in place for the safety and welfare of the general public. The objective of Phase II is to develop uniform service standards for all pay telephones to ensure that pay phones remain in "public policy" areas, and to develop methods for sharing the costs of these public policy pay phones among the general ratepayers, pay phone station agents, local phone companies, and private providers. Several items being analyzed as part of this investigation are the definition of a public policy pay telephone, how many of these phones there are in the state, the cost to maintain these phones, and the method of allocating these costs.

Phase III examines what is wrong with the current regulatory framework governing pay phone service and what changes are necessary to improve it.



Workshops to resolve issues in Phase II of the investigation (customer service quality and public policy pay phones) were scheduled for July 1988. Phase I (cross-subsidization) and Phase III (market structure) have been consolidated and the PUC's Commission Advisory and Compliance Division will hold workshops for these Phases in late August 1988.

AOS

Alternate Operator Services (AOS) link calls from coinless pay phones with long distance telephone networks. Typically they serve privately-owned pay telephones such as those in hotels, hospitals, colleges, and restaurants.

Consumers complained to the PUC that they were charged excessive charges for calls they made from pay phones using credit cards or in some manner other than using coins to pay for the calls.

In April 1988, the Commission directed AOS providers in California to comply with PUC regulations requiring certification and filing of tariffs by telephone companies; and informed them that they must comply with applicable COPT rates for coin and coinless pay phones and cannot charge rates above the ceilings already set for different types of calls. While the COPT tariffs caps do not apply to AOS services offered by hotels, hospitals, and colleges, the Commission told AOS providers that they must file and adhere to tariffs for those services.

Radiotelephone Utility Regulation

Interest in regulation of the radiotelephone industry has arisen because of the growth in the cellular telephone industry, changes in radiotelephone technology, and the rapid changes in telecommunications in general.

The PUC has regulated radiotelephone utilities (RTU) since 1961. Today, the radiotelephone industry in California has revenues of over $70 million of which 90 percent arise from one-way paging services. The remaining 10 percent of revenues are from two-way paging service. There are over 91 licensed firms in this market with the largest concentration in the urban areas of the state. Paging services are growing while two-way services are losing markets to cellular telephones.

In February of 1988, the Commission opened a proceeding to determine whether its current regulation of radiotelephone utilities in the state should be changed. The proceeding focuses on paging and conventional two-way radio services; it does not include the cellular phone industry.

The Commission is looking at whether less restricted competition might lead to cheaper and better services, and whether the benefits of the current regulatory system exceed its costs. The DRA has advocated the immediate detariffing of these services with the eventual goal of complete deregulation, and proposed streamlining the regulatory process for RTUs at the Commission.

Ratepayer Education Fund

In May 1988, as part of Pacific Bell's rate case disallowance, the Commission approved a $16.5 million trust fund to promote awareness and understanding of telecommunications services among Pacific Bell customers. Over the next six years, the trust which is chaired by the PUC's Public Advisor, will dispense $3 million annually for mass media, educational forums, and community outreach efforts to inform ratepayers about telecommunications.

In an earlier decision, the Commission ordered Pacific to stop misleading marketing practices it used to sell certain telephone services to the public, to refund overcharges to affected ratepayers, and to pay a $16.5 million penalty—derived entirely from its shareholders —to set up the educational trust fund.

Pacific Bell's Krone Training Under Fire

In response to public, press and legislative inquiries, the DRA initiated an investigation of Pacific Bell's Leadership Development Program, commonly referred to as the Krone program after the name of its developer, because of questions raised about the cost of the program and the unusual nature of the training. After a financial audit, observation of training sessions, and interviews with Pacific's employees, the DRA concluded that the negative results of the training outweighed the positive results and could potentially damage Pacific's capacity to provide service. The DRA recommended that the program not be financed by ratepayers and that Pacific reduce its rates by the estimated $25 million the program cost.

Four days after the DRA report, Pacific withdrew the program to evaluate it in light of DRA's findings and eventually, the utility chose to discontinue the program.

Deaf and Disabled Telecommunications Funding Problems Resolved

California's Deaf and Disabled Telecommunications Program was established in 1979 to enable deaf, severely hearing-impaired, and disabled persons to have access to telephone service at no additional charge to their basic monthly phone rate. A surcharge on each telephone line funds the program and reimburses local telephone companies for providing special telephone equipment to customers certified as deaf, hearing-impaired or disabled.

Over the past eight years, legislation has mandated that enhancements be made to the program including the addition of the California Relay Service in 1983 through which an operator can connect a deaf or hearing-impaired caller who is using a teletypewriter device (TDD) to a caller with normal hearing; this allows either caller to initiate a call. User response to the Relay Service has been overwhelming, with call volumes of 200,000 calls a month—four times greater than what was anticipated. The Relay Service has expanded to meet the demand and its success has encouraged additional participation in the program.

An October 1987 Commission decision enabled small businesses which employ deaf and disabled persons to participate in the program, and ensured that the deaf and disabled will have input into program modifications and policy through representation on the Deaf Trust's standardization advisory committee.

However, by November 1987, the program's success threatened to outstrip its funding. While the revenue base used to fund the program grew by 3 percent a year, the program's participants grew by 230 percent in the first six months of 1987. In an effort to find a permanent solution to what was anticipated to be a continuing funding problem, the Commission initiated an investigation (OII.87-11-031) to identify additional funding sources and possible reductions in program services. The issues of this OII are expected to be addressed by the end of September 1988, primarily through settlement workshops.

In December 1987, the PUC held public meetings in Sacramento, Los Angeles, and San Francisco to inform the public about the funding problems of the program and to discuss how to create new funding sources and reduce program services to solve those problems.

SB 2268 (Greene), sponsored by the PUC, was enacted in June of 1988. This law removed the per line surcharge of 10 cents used to fund the program and replaced it with a one-half of one percent surcharge on all local and long distance service within California. The law also broadened the base from which the surcharge is collected by applying the surcharge uniformly to all subscribers except those with Universal Lifeline Telephone service and one-way radio pagers. The new surcharge assures adequate funding for an efficient operation of the program, and continuation of all current services.

976 Controversy Continues

The provision of 976 information access services continues to be controversial and has led to a number of Commission actions. Callers who dial telephone numbers with 976 prefixes can talk with other callers or obtain pre-recorded sports, weather, horoscope, stock, lottery, or other information as well as dial-a-joke or dial-a-porn messages.

In December of 1987 in response to the public's desire to prevent children from dialing 976 numbers and running up excessive bills, or dialing sexually-explicit messages, the Commission ordered (D.87-12-038) those phone companies which provided transport, billing, and collection for 976 information access service providers to offer 'blocking' of 976 calls at a one-time fee of $2 for residential customers and $5 for business customers.

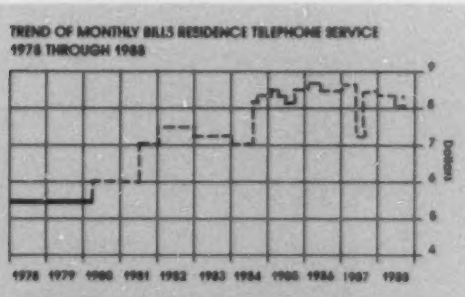
The Commission reduced the charge for 976 residential blocking to 1 cent in March of 1988—the lowest it could lower the charge and still comply with state law requiring a one-time charge not to exceed $5.

In March of 1988, the Commission sent letters to all district attorneys in the state asking them to enforce recent legislation (AB 976) intended to prevent minors from having easy access to sexually-explicit 976 services by requiring that all providers of 976 dial-a-porn offer their services only through the use of an authorized access or identification code or require payment by credit card.

Business blocking has been put on hold pending further hearings. Further hearings on cost allocation of blocking have been deferred until after Commission investigation of 900 ICS.

900 ICS

In November 1987, Pacific Bell proposed a new service, Information Calling Service (ICS). This new service would allow for 'selective blocking' of informational services. Rates for ICS would be 'usage sensitive'. Pacific's ICS application (A.88-04-044) is scheduled for hearings/workshops in the summer of 1988 with a decision/settlement expected by December of 1988.


TREND OF MONTHLY BILLS RESIDENCE TELEPHONE SERVICE
1978 THROUGH 1988
Dollars
1978 1979 1980 1981 1982 1983 1984 1985 1986 1987 1988
Basic Service with customer providing equipment. - - - - - - - -
Basic Service includes utility providing the basic equipment. ——
*Basic Service has been $8.25 per month since mid-1984.
Various surcharges and surcredits have resulted in fluctuations about this basic rate.

Universal Lifeline Telephone Service

The Universal Lifeline Telephone Service program was established in 1984 to ensure that every household that wishes to can have at least basic telephone services. By June 1988, the program reached 1.2 million homes.

The program is the first of its kind in the nation and is funded by a 4 percent surcharge on all long distance and toll calls within California. The 4 percent surcharge will remain in effect from July 1, 1988 through June 30, 1989, subject to Commission review.

Sign-ups for the program rose markedly in 1987 apparently due to Pacific Bell's publicity about the service, and the Commission's actions increasing the calling allowance from 30 to 60 calls, raising the income eligibility level, and allowing subscribers to choose between flat rate and measured rate service.

The program is projected to yield a six-month reserve of $61.4 million by June 30, 1989. The reserve will assure that sufficient funds will be available to handle any problems or program changes.

Open Network Architecture

During 1988 and beyond, the Commission will deal with issues related to the Federal Communication Commission's (FCC) Computer Inquiry III regulatory framework. The FCC required Bell Operating Companies, including Pacific Telesis (on behalf of Pacific Bell), to file Open Network Architecture (ONA) plans by February 1, 1988. These filings describe each company's plans for unbundling its network capabilities and making them available as individual Basic Service Elements (BSEs) for purchase by nonregulated firms that provide telecommunications services such as voice mail, packet switching, alarm services, and information services.

The PUC has challenged the FCC's preemption of state authority over telephone company-provided enhanced services, asserted its right to exercise independent regulatory jurisdiction over the enhanced service offerings of common carriers, and will participate actively on the federal level in reacting to Pacific's FCC filing and any related FCC decisions.

Pacific Bell has not yet made a formal ONA filing to the PUC but may do so near the end of 1988.

Inside Wire

Inside wiring carries signals from a customer's telephone or computer to an entry point in the phone company's network. In January 1986, the FCC deregulated inside wire. Also in 1986, the Commission authorized the detariffing of telephone inside wire. Accordingly, the utilities were requested to provide their 1987 estimated billings, expenses and plant investments associated with the provision of inside wire maintenance and installation on a detariffed basis. Hearings have been held on the inside wire issues and a Commission decision is expected in the near future.

Although the PUC has detariffed inside wire, it is currently challenging FCC preemption of state detariffing as beyond federal statutory authority.

Stopping Telephone Service to Unlicensed Contractors

Each year, the Contractor's State License Board (CSLB) issues 1,500–2,000 cease and

desist orders to unlicensed contractors. These orders are issued only after an investigation which is usually initiated by a complaint. Almost 90 percent of the contractors that CSLB issued cease and desist orders to were advertising unlawfully—many in telephone classified directories.

Effective July 29, 1987 whenever the CSLB provides written notification to the PUC that a contractor is not licensed by California and is unlawfully advertising in a telephone directory, the PUC's executive director will order telephone service disconnected to any phone number that the contractor has used in the unlawful advertisement in classified telephone directories.

The CSLB and the PUC hope that this new PUC authority will play a part in preventing the serious injuries and deaths which can occur when work is done by unlicensed contractors.

Bellcore Affiliates Audit

The DRA participated in the National Association of Regulatory Utility Commissions 2nd multi-state audit on the affiliate relationships that Bell Communication Research, Inc. (Bellcore) maintains with its owners, the seven regional Bell operating companies. As its role in the audit, DRA analyzed Bellcore's revised contractual relationship with its owners, as well as Bellcore's efforts to market its products and services to nonaffiliate customers. A final audit report is expected in the fall of 1988.

New Uniform System of Accounts

In December 1987, the Commission adopted the Federal Communication Commission's Part 32, Uniform System of Accounts (USOA), and Part 36 Separation Manual with certain exceptions, and ordered the major telecommunications utilities to establish form balancing accounts to record the revenue requirement impacts stemming from their adoption.

During the first half of 1988, the DRA has been investigating the methodologies used by the utilities in their submitted balancing accounts. DRA has issued two reports on this subject and has identified nearly two dozen areas where changes in the methodology are necessary in order to properly compute the incremental revenue requirement effects. In addition, DRA has recommended that the resulting revenue requirements be made subject to any adjustments from a decision to be issued from a Part 64 proceeding and refunded, if necessary, back to the ratepayers. DRA will continue its investigation until the balancing account is terminated at the end of 1988 to ensure that amounts reported in the balancing account are reasonable and not contrary to Commission regulatory practices and policies.

GENERAL RATE CASES

Pacific Bell

When Pacific Bell (Pacific) filed its general rate case application in January 1985, the first since divestiture, it estimated that it would require an increase of $1.4 billion in annual revenues, based on operations in 1986, to meet its operating expenses. In anticipation of ensuing changes, including lowered inflation forecasts, Pacific subsequently reduced its initial request to $444.5 million. Because of the complexity of the case, the Commission has reviewed it in two phases. A third phase is pending.

The Commission concluded Phase II of the revenue requirements review of Pacific Bell's (Pacific) general rate case by ordering the utility to reduce the ongoing revenue it collects in rates by $86.4 million. When the effects of the reduction are carried back, in most cases to March 1985 when Phase II of the general rate case began, the total revenue reduction will equal $194.5 million on a one-time basis.

Phase III of Pacific's general rate case focuses on the modernization of Pacific's network. The Division of Ratepayer Advocates noted that a substantial part of Pacific's capital budget was allocated to modernization and questioned whether Pacific was modernizing more rapidly than would be cost-effective, and how the benefits of modernization would accrue to different classes of customers. DRA expects to issue a staff recommendation on this matter in July 1988.

One of the more difficult issues to deal with has involved the relationship of Pacific's post divestiture parent company Pacific Telesis and the unregulated affiliated companies of Pacific Bell.

Phase III of the DRA's audit of Pacific also has focused on joint ventures, strategic alliances, and the research and development efforts of the Pacific Telesis Group. This audit is important for four reasons:

- to review and monitor the increasing resources that public telephone companies devote to research and development due to the growth of new services, increased competition, and rapidly changing technology;
- to review the expanding use by Pacific Telesis of flexible business partnerships with third parties to provide both regulated and unregulated services through joint ventures and strategic alliances;
- the information obtained through this audit will be invaluable in future reviews of other energy and telephone utilities with similar circumstances; and
- the information obtained will help the PUC protect ratepayers while fostering technological innovation, new services, and greater efficiency.

Pacific's 1987 and 1988 Attrition Filings

A 1986 Commission decision resolved certain questions regarding the attrition methodology for Pacific Bell and General Telephone Company of California and ordered Pacific to prepare for a review by the Commission of its operational and financial attrition for 1987, with rates to be collected subject to refund after January 1, 1987.

The Commission reduced Pacific's revenue requirement of its 1987 attrition filing by $191 million—an average savings for ratepayers of 60 cents a month.

In its 1988 attrition filing, Pacific proposed to reduce its annual revenue requirement by $57.7 million. On April 13, 1988, the Commission reduced this by an additional $7.25 million for a total of $64.9 million less revenue that Pacific will receive from ratepayers for its operations for 1988.

GTE-California

On January 5, 1987, General Telephone Company of California asked to reduce its rates for intrastate telephone service by about $115 million for 1988. Based on its analysis of GTE-California's operating revenues, expenses, taxes, utility plant and depreciation for 1988, the DRA recommended a rate reduction of $500 million.

The Commission issued an interim order on December 22, 1987 which: set a rate of return for GTE-California during test year 1988; provided for a decrease in customer billings of $122.7 million on an annual basis effective January 1, 1988; and adopted revenue reductions for operational cost reductions that had been agreed to by the utility and the DRA. The order did not address some disputed reductions still at issue in the case which will be decided in August of 1988.

AT&T-C General Rate Case for 1986

On June 17, 1988, the Commission concluded the second and final phase of AT&T-Communications of California's (AT&T-C) general rate case by ordering the utility: to reduce its annual revenue requirement by $4.4 million for its operations within California; to refund $110 million of overcollected revenue on a one-time basis by a customer credit of 17 percent from July 1, 1988 to January 1, 1989 only; and to further reduce its intrastate rates by an additional 10 percent or $168 million annually from existing rate levels to assure that it will not continue to overcollect revenue in excess of its PUC-authorized expenses in the future. AT&T-C had originally requested an annual revenue increase of $22.6 million.

WATER

The PUC regulates 264 investor-owned, for profit water and sewer utilities in California. It has no jurisdiction over more than 1000 other publicly-owned systems and mutuals that are owned by their customers.

Ranging in size from the largest, serving over 300,000 customers and with $100 million in revenues to those with fewer than 10 customers and less than $1,000 in revenues, PUC-regulated water utilities serve primarily suburban and rural areas and provide service to about 20 percent of the state's residential water users.

The number of PUC-regulated water and sewer utilities has decreased steadily over the past several decades, although the total number of connections served continues to grow. Over time, many of the smaller, less viable utilities are being consolidated into larger systems or being taken over by their customers as their service areas are converted to public districts. Thirteen were converted to public ownership during 1987–88. Only a very few new water utilities have come under regulation in recent years, and those have been primarily very small existing companies that have come to the PUC's attention as a result of customer complaints about their rates and service.

New Rules for Termination of Service for Nonpayment

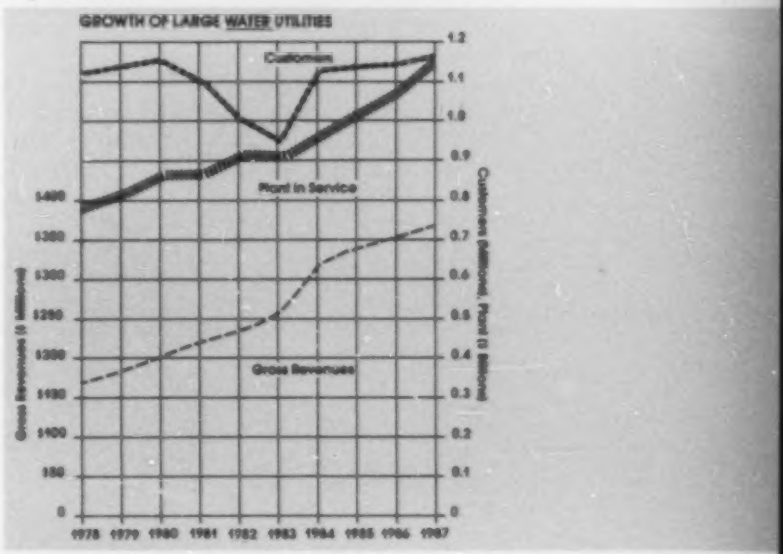
The Public Utilities Code was revised to include new requirements regarding termination of water service for nonpayment of bills:

- public utilities must give 10 days' notice of termination for nonpayment;
- public utilities must attempt to contact an adult residing at the premises of the customer by phone or in person at least 24 hours before termination;
- termination notices must contain specified information;
- if the customer claims inability to pay, public utilities may not terminate residential service without a review to determine whether the customer should be allowed to amortize the overdue amount over a period not to exceed 12 months;
- upon certification that termination of service would be life threatening, public utilities may not terminate service if the customer is willing to pay the overdue amount over a period not to exceed 12 months;
- service wrongfully discontinued must be restored within 48 hours without charge.

By mid-1988, all water utilities had included the new provisions in their tariffs.

Water Quality Requirements

In 1986, Congress amended the Safe Drinking Water Act of 1974 to tighten the water quality requirements imposed on drinking water suppliers. Under the Act, the Environmental Protection Agency must establish regulations to control 83 potential contaminants by mid-1989; develop strict new monitoring requirements for these contaminants and others not yet regulated; and develop tough new standards for filtration and disinfection. Estimates of the effect on consumers vary widely, from less than 20 percent for customers of large utilities to 100 percent or more for those served by small utilities. The Water Branch has been following the evolution of these new standards and gathering information on operational and capital costs that eventually will be needed to adjust rates.


GROWTH OF LARGE WATER UTILITIES
Customers
Plant in Service
Gross Revenues
1978 1979 1980 1981 1982 1983 1984 1985 1986 1987

The Drought of 1987–88

As the summer of 1988 began, California was suffering from its third consecutive abnormally dry year this century. Although not as severe overall as 1977, the 1988 dry season saw most

PUC-regulated water suppliers call for voluntary conservation from their customers, and a few imposed mandatory rationing. Water utilities which had previously come to the Commission's attention as having supply shortages in normal years experienced the most severe problems.

California Water Service, the largest Commission-regulated water utility found it needed a mandatory rationing plan for 65,000 of its customers when the City of San Francisco imposed wholesale supply reductions on Cal Water's four Peninsula districts.

The Water Utilities Branch represented the PUC on the state's Interagency Drought Preparedness Committee and stayed in close contact with regulated water suppliers for the duration to assist them in preparing and evaluating conservation and rationing plans.

Outreach To Small Water Utilities

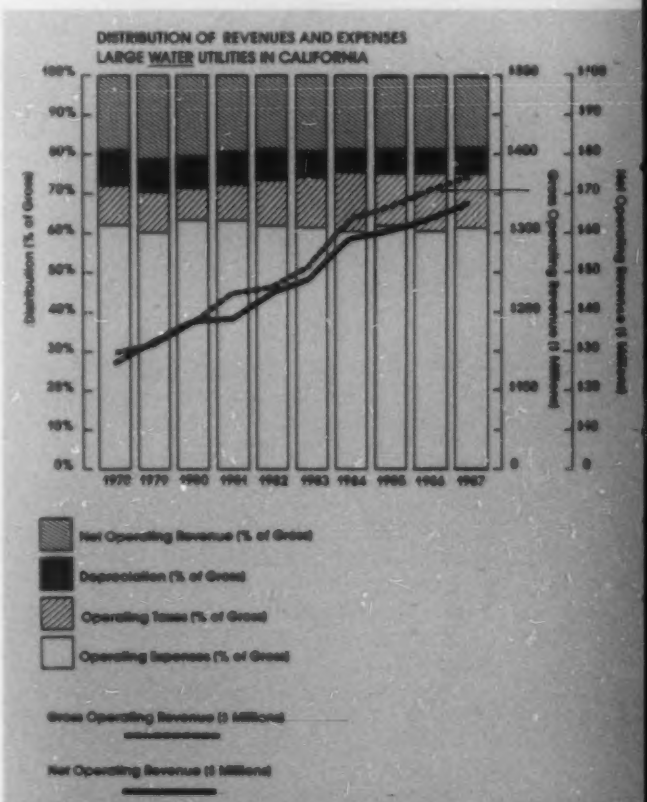
Many small water utilities have little or no contact with the PUC until they have major financial or operational problems. In an effort to gauge the condition of those suppliers during the summer of 1987, the Water Utilities Branch conducted a field survey of 42 small water utilities that had not been heard from in some time. Although most were found to be doing reasonably well, many had little knowledge of regulatory procedures, particularly those for obtaining rate increases and applying for financial assistance through the state's Safe Drinking Water Bond Act loan program. The survey revealed that a surprising 40 percent would prefer to get out of the water business altogether if possible.

Another sixteen small companies were surveyed during the summer of 1988. As a result of the small company survey program, a series of information packages is being prepared to provide guidance on how to apply for rate increases, the requirements for Safe Drinking Water Bond Act loans, and alternative methods for turning their operations over to their customers through public districts and mutual water systems.

Tax Reform Act of 1986 Hits Water Utilities Hard

The federal Tax Reform Act of 1986 (TRA-86) brought about changes in the way federal income taxes are determined for all utilities. In addition to reducing the top corporate tax rate from 46 percent to 40 percent in 1987 and to 34 percent in 1988 and beyond, TRA-86 required that contributions-in-aid-of-construction be recognized for tax purposes as current income. Water utilities rely heavily on contributions as a major funding source of capital improvements, so they were hit especially hard.

As a result of its investigation into TRA-86's ratemaking effects, the Commission ordered water utilities and others to revise their tariffs. By increasing the amounts due from contributors to largely offset the income tax on contributions less the present value of future tax benefits, large water utilities could protect themselves and their ratepayers. Small water utilities could make similar revisions, or could simply gross up the amounts due from contributors to offset the entire current tax amount their transactions generated. Because only privately-owned for-profit suppliers are affected, TRA-86's provisions may persuade some developers to seek water service from nearby public districts (which are not subject to income taxes) rather than regulated public utilities.



PUBLIC ADVISOR

The Public Advisor's office assisted thousands of consumers who requested information and advice on how to participate in Commission proceedings. The ability of the Public Advisor's office to respond to consumer requests has been significantly enhanced by the addition of a Public Advisor's office in Los Angeles. SB 2030 (Rosenthal) provided funding for this office. The Los Angeles Public Advisor's office has been instrumental in assuring that hearings are scheduled in the Los Angeles area.

The PUC requires the six major utilities to send a bill insert four times a year to their customers, inviting them to contact the Public Advisor's office to receive a list of groups known as intervenors who participate in PUC proceedings on behalf of ratepayers. During the past year, the Public Advisor's office has received over 25,000 requests for this list of intervenors. The Commission will review the effectiveness of this program after it ends in December 1988.

Through its intervenor funding program, the Commission has awarded $486,239 this fiscal year to a variety of consumer groups for their contributions to PUC decisions. In May, the Public Advisor's office published an annotated bibliography of all PUC intervenor compensation decisions. The bibliography is available at no cost from the Public Advisor's office in San Francisco.

The PUC also held its first-ever public forum in conjunction with its June 8, 1988 business meeting in Carson, California. Individuals who attended the public forum were able to address the full Commission on any subject in the PUC's jurisdiction. The public spoke eloquently on a wide variety of topics. The Commission is expected to hold more public forum sessions in the future.

The Public Advisor's office prepared and published a "Guide for PUC Intervenors," a handbook designed to assist and encourage the public's participation in Commission proceedings. The Guide explains how to participate in a PUC proceeding and describes the types of proceedings and what the public needs to know to participate effectively. The "Guide for PUC Intervenors" is available without charge from the Public Advisor's offices in San Francisco and Los Angeles.

In June, 1988 in Carson, the five PUC Commissioners held the first of an anticipated several public forums to be held statewide to seek input from, answer questions about how they regulate phone, electric, natural gas, water, and transportation utilities, and hear directly from ratepayers about their utility-related concerns.

TRANSPORTATION

EN BANC HEARING ON TRUCKING REGULATORY POLICY

Regulatory policy for the state's for-hire trucking industry has been the subject of intense debate in recent years. In March of 1988, the Commission convened en banc in both San Francisco and Pasadena to solicit the views and comments of interested parties concerning what future policy direction should be taken for trucking regulation.

Hundreds of carriers and shippers attended these informational hearings and more than 100 gave the Commission their views on such issues as:

- the effects that regulatory programs have on both the industry and the state's economy in general.
- whether economic regulation of trucking promotes highway safety in a meaningful way.
- whether trucking regulation is necessary to secure adequate service to the public.
- how trucking regulation, or the lack of it, affects the interests of labor, their unions, and subhaulers.

Once the Commission has had sufficient time to consider all of the information it obtained through the informational hearings, it will determine whether it should initiate a formal inquiry into whether present trucking regulatory policy should be modified.

Airport Access

The significant growth of airline travel since the 1970s has accelerated changes in the traditional modes of airport access such as taxis, private automobiles and scheduled buses. Non-scheduled shuttle services using small vans have entered this market, creating both a convenient service for passengers as well as regulatory problems.

On March 9, 1988 the Commission ordered a rule-making proceeding be instituted to examine the issues and problems of airport access. A PUC staff report on this issue and proposed General Orders were mailed to all authorized carriers for comment to be submitted to the Commission by July 8, 1988.

ZORF

More passenger carriers have been requesting authority to establish a Zone of Rate Freedom (ZORF). When a carrier has a ZORF, it is free to adjust its fares within an authorized window without filing a formal fare increase application. The only Commission requirements of a carrier changing a ZORF fare is that it notify the Commission and public 10 days prior to making a change.

In order to qualify for a ZORF, a carrier must show that it is competing with others for passengers in the market(s) for which the ZORF is requested.

Unlicensed Passenger Carriers

The PUC's Transportation Division conducted an investigation to determine why more than 3,500 passengers who had expected to attend the Papal Mass in Monterey were left waiting for their rides and why another 75,000 were left stranded after the services. Following this investigation, misdemeanor charges were filed against the subcarriers involved, who had no operating authority, and charges of unfair business practices were filed against the principal carrier.

Illegal limousine operators also felt the sting of Commission enforcement action. With the cooperation of district attorneys, several civil actions were filed, seeking restraining orders, imposition of civil fines not less than $100,000, forfeiture of all profits earned while operating without a license, and restitution to defray the costs of investigations.

The PUC has also taken a more aggressive role in the application process by recommending denial of operating authority to offenders who have defied a court's temporary restraining order or preliminary injunction.

Property Carriers

Because it is difficult to provide adequate coverage of property carriers' rating practices, the PUC held surprise road checks at strategic shipping lanes to inspect shipping documents accompanying the loads. Carriers were later asked to furnish billing copies of the shipments

which staff had observed. Informal citation forfeiture fines were imposed on carriers who had not complied with documentation rules, and the staff targeted other carriers for rate audits.

Charter Party Carrier Decal Program

Effective January 1, 1988 SB 719 (Rosenthal) requires that the PUC issue a decal for charter-party vehicles such as limousines designed to carry not more than 8 persons. The owner must affix the decal to the lower right hand corner of the vehicle windshield before beginning operation.

Charter Party Permits

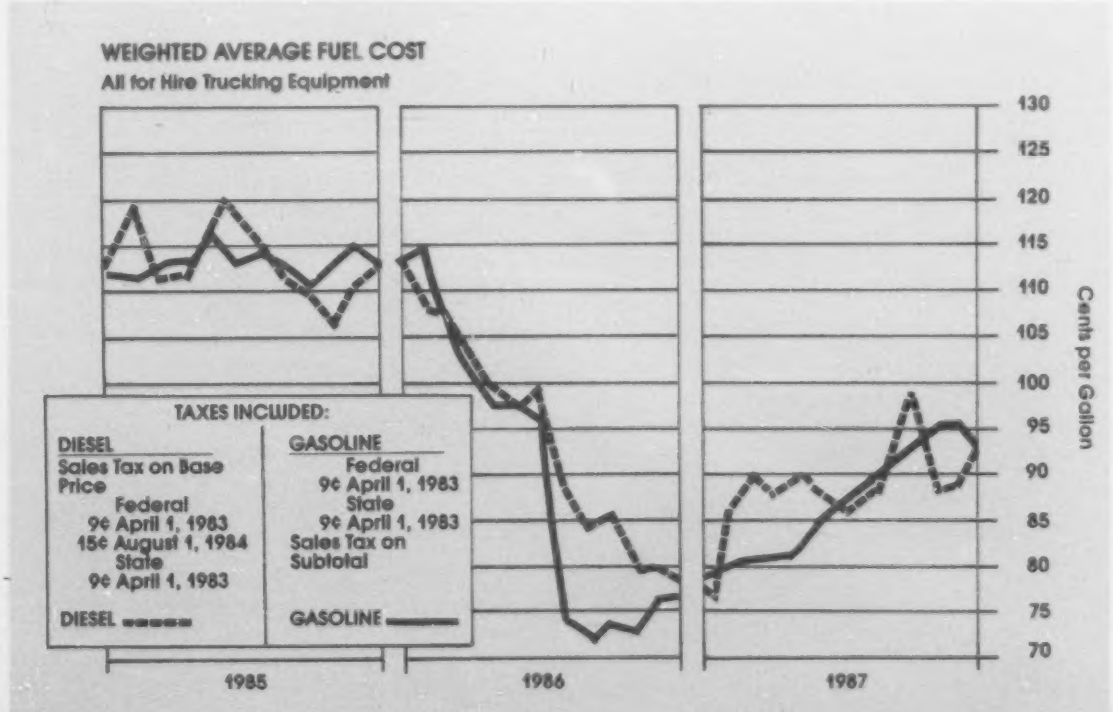
The number of Charter Party Permits filed with the Commission went from 745 in the first six months of the fiscal year to 1743 for the second six months. The dramatic increase resulted from a new enforcement program implemented by the PUC and local airport authorities.

Fees received from applications for new, renewed, and transfers of operating authority went from $298,000 in the first six months to $690,100 in the second six months of the fiscal year. New filings doubled during the second period.

GENERAL FREIGHT REREGULATION

Implementation of the Commission's general freight trucking reregulation program, which began March 1, 1987 continued with PUC notification to all affected motor carriers to comply with the program by rejustifying rates that they had previously reduced in accordance with the former 'transition' program.

Another element of the reregulation program is periodic adjustment of carrier rates in accordance with a truck freight cost index determined by the Commission. In July 1987, the Commission directed common and contract carriers of general freight to increase their less-than-truckload rates by 1.2 percent. A 0.7 percent increase in truckload rates was made permissive, rather than mandatory. Carriers were given the alternative of leaving their less-than-truckload rates at the prior level if they filed proper cost justification. Carriers were also free to offset the increase by using their window rate authority. Carriers who failed to act were fined, and ultimately, 15 highway common carriers had their operating authority revoked for continued failure to comply with the Commission's truck freight cost index order.



Truck Freight Cost Index

The initial Truck Freight Cost Index rate orders went into effect July 1, 1987. The Index tracks broad cost changes pertaining to general freight truck transportation and weights them in seven cost categories according to actual intrastate cost experience. Throughout the year following the initial order, refinements to index methodology have been proposed and discussed by PUC staff and the industry. Many of the proposed refinements are outlined in a staff Petition to Modify D.86-12-102 (GO 147-A and Appendix E; Handbook for Calculation). Calculation for the July 1988 index order was made using existing methodology, but it is anticipated that any future index changes will be calculated using the revised methodologies.

Highway Carriers

The Commission has adopted new regulatory programs that require staff to continually review and analyze motor carriers' annual reports. The data collected from the annual reports will be used in on-going reviews of the truck freight cost index.

In compliance with General Orders 123-G and 124-C, over 200 trucking companies filed reports with the Commission. Only 15 truckers failed to comply; as a result, their operating authority was revoked. Fines totaling $27,850 were received for late filings.

Household Goods Regulatory Program

In early 1987, when the Commission established new minimum rates and rules for the moving industry, it directed staff to conduct further study of annual personnel hours, equipment use hours and indirect costs experienced by household goods carriers. A report will be issued to the Commission during the latter half of 1988.

Dump Truck Regulatory Program

Activity in the construction hauling phase (Phase I) of the Commission's proceeding to overhaul the dump truck minimum rate program (Case 5437, OSH 325) continued through fiscal year 1987–88 with many of its facets still to be completed.

Preliminary labor cost data collected by Commission staff were used as a basis for developing proposals to redefine geographical rating territories in Minimum Rate Tariff 7-a. The Commission order adopting a specific plan of territories is expected soon and once this has occurred, staff will begin compiling costs for use in developing new minimum rate levels.

In the interim, the California Carriers Association and the California Dump Truck Owners Association have requested that present construction hauling rate levels be increased by 5 percent.

While this rate increase request and the rating territory issue are pending before the Commission, staff and other OSH 325 parties are concentrating on developing proposals for streamlining the current procedure used by dump truckers to charge less than minimum rate levels.

Station Study

In addition to on-site inspection of passenger stations and stops, Transportation staff developed a computer model to determine levels of service between counties, cities and zip codes. By using the model, staff hopes to be able to respond to applications for new or expanded service.

Vallejo-San Francisco Ferry Service

Harbor Carriers, in February 1988, attempted to eliminate the commuter ferry services between Vallejo and San Francisco by filing a timetable change with the PUC. Hundreds of its passengers as well as the City of Vallejo protested. In light of the protests, the Commission rejected the timetable.

In April 1988, Harbor Carriers filed an application (A88-04-005) to abandon all service between Vallejo and San Francisco. Hearings on the application are scheduled for September 1988.

Bus Safety

In response to AB 3262, the PUC has recommended to the Legislature that all passenger carriers participate in the Department of Motor Vehicles' "Pull Notice Program" and submit their vehicles for inspection.

Passenger Bus Insurance Study

AB 3262 (Statutes of 1986) required the Commission to review and adjust the amount of insurance required for tour bus operators to respond sufficiently to damages for injury and liability to passengers and others.

An independent consultant found the PUC's present liability limits for the various classes of carriers to be reasonable and the consultant's report was forwarded to the Legislature.

Bulk Agricultural Monitoring

In 1987 Transportation staff began monitoring bulk agricultural product truck transportation, which was deregulated in July of 1984. The monitoring program incorporates field studies, a carrier survey, and Economic Studies guidelines designed to derive profitability/demand/traffic flow and other vital data for the industry subsequent to its deregulation.

RAIL PASSENGER OVERSIGHT

A renaissance of passenger rail service in California during the 1987–88 fiscal year challenged staff resources to provide safety oversight to current, new, and proposed rail operations.

Amtrack serves over 4 million riders annually along 2,000 miles of route in California. Service has expanded slowly due to equipment shortages, noticeably in the San Joaquin Valley, where state interest in a third daily round trip has not been acted on because equipment is not available.

Anticipating an extension of local San Diego service from Los Angeles and Santa Barbara, in November 1987, Amtrack implemented push-pull service between Los Angeles and San Diego using 4 cab-control cars. After a number of delays, the Santa Barbara extension was finally inaugurated in late June. Meanwhile, on the traditional San Diego corridor, Amtrack, Sante Fe and the counties of San Diego, Orange, and Los Angeles agreed to fund an upgrading of Santa Fe's San Diego Subdivision to improve train performance. Rail replacement began in January 1988.

Push-pull operations have also been applied to the San Francisco Peninsula, operated by Southern Pacific under the sponsorship of CalTrans. This commute corridor has experienced a growth of 5 percent since 1987 and currently averages 16,000 riders per day. The suitability and safety of push-pull operations are monitored by the PUC's Rail Operations Safety Section.

Continued safe operation of the Eureka Southern Railroad, currently subject to Chapter 11 bankruptcy, has also been of primary interest to staff who hope that it can keep serving lumber shippers and "North Coast Limited" passengers between Willits and Eureka. Using the Rail Operations and Safety Section's "system safety" approach, Eureka Southern has accepted full responsibility for the safety of its line and with assistance from PUC staff has developed an emergency response plan.

At times the Commission's safety concerns became enmeshed in a broader conflict over economic regulatory jurisdiction. California Western Railroad, although an isolated excursion railroad operating wholly intrastate, sought and received regulation by the Interstate Commerce Commission following a transfer of ownership. Owners of a proposed "Napa Valley Wine Train" from Napa to St. Helena similarly have sought exemption from Commission regulation rather than submit required environmental impact reports likely to be challenged by cities along the proposed route.

The Operations Safety Section faces special challenges in safeguarding the public as new passenger operations are developed because of potential problems due to inexperienced operators, defective equipment and unsafe track. Current new passenger operations include Sierra Railway, Niles Canyon Railroad, Santa Cruz and Big Trees Railroad, and the Southwest Railway Museum in Campo.

Rail Safety

The PUC's Rail Operations Safety Section uses a systems safety approach to investigate incidents, accidents, and complaints and seeks carrier participation in the development of standards and solutions to problems.

Following a rash of complaints about crossings being blocked from Pico Rivera and other cities along Southern Pacific's La Habra Branch in Southern California, staff met with complainants and the carriers. Several solutions to virtually eliminate blocked crossings were developed including: use of shorter trains, better inter-railroad communications, and avoidance of the branch for eastward movements.

Similarly, following investigation of a January 22nd rear-end collision involving two Sante Fe freight trains in Pico Rivera which killed a railroad officer in a lead locomotive, the PUC saw to it that Santa Fe changed the inspection procedures used by its signal supervisors.

Commissioners commend PUC transportation staffer Tom Barcelo for saving the lives of two trainmen. When a severe earthquake struck Southern California in October 1987, Barcelo went to make sure track at a Santa Fe Springs railroad yard near his office was not damaged. He found two trainmen overcome by toxic fumes leaking from a damaged storage tank and his quick action in bringing them to a hospital for treatment was credited by doctors with saving their lives.

Operation Lifesaver

Railroad/highway grade crossing accidents have declined due to installation of automatic gates and warning devices, however, one accident per day still occurs. Since 1976, the PUC has joined with the California Office of Traffic Safety, California Highway Patrol, CalTrans, the railroads and other groups to form the California Operation Lifesaver Committee and through the Operation Lifesaver program to increase public awareness of safety at railroad-highway grade crossings.

The program uses seminars and conferences stressing the 3 Es of traffic safety—Education, Engineering and Enforcement to promote safe habits for motorists, cyclists, and pedestrians to use when driving, riding and walking across railroad lines; and urges public support for grade crossing safety and improvement programs.

Southern Pacific Merger

In December 1987, Santa Fe Southern Pacific filed a plan with the Interstate Commerce Commission (ICC) for divesting itself of Southern Pacific Transportation Company (SPTCo.). In February 1988, Rio Grande Industries filed for acquisition of SPTCo.

The PUC is the state's representative on railroad matters before the ICC. In this case, PUC Transportation staff met with and sought comment on the proposed merger from the railroad, shipper groups and other concerned parties. Staff also examined the financial and operational impacts the proposed merger would have on California as it is in the best interests of the people of California to maintain existing passenger and freight transportation corridors operated by companies which are financially healthy and stable. This case was particularly important because Southern Pacific is the largest railroad and the largest landowner in the state.

The PUC filed its brief with the ICC supporting the merger with a number of conditions including that trackage rights and refrigerated produce cars be maintained. The ICC is expected to rule on the merger in August 1988.

Staff Studies

The following prevailing wage reports have been issued in the last year:

Report 187-1A—General Freight
Report 287-1—Cement in Sack or Bulk
Report 387-1—Truckaway Service

Organizational Functions

EXECUTIVE DIRECTOR

The Executive Director, appointed by the Commission, performs the Commission's executive and administrative duties. The Director coordinates, supervises and directs the Commission's operations and affairs, and expedites all matters within the Commission's jurisdiction.

All division heads and other employees except Commissioners and the General Counsel report to the Executive Director. The Executive Director handles all administrative matters relating to personnel, services and material and presents the Commission's budget to the State's fiscal officers and the Legislature.

The Executive Director keeps a full and true record of all Commission proceedings and issues all necessary process, writs, warrants and notices. When all parties are in agreement, the Executive Director may also dismiss complaints on applications. The Director also administers oaths, certifies to official acts and issues subpoenas for witnesses' attendance and produces records needed at Commission hearings and investigations.

GENERAL COUNSEL

Section 307 of the Public Utilities Code provides that the General Counsel shall represent the Commission and the People of the State of California in all proceedings under the Public Utilities Act. The General Counsel heads the Legal Division, which provides advice and representation in all matters relating to the regulation of California utilities.

LEGAL DIVISION

Four basic sections implement Legal Division programs. They are the Advisory and Appellate Section, Staff Counsel Sections 1 and 2, and the Federal Agencies Section. In addition to advising the Commission and its staff on all legal matters, the Advisory and Appellate Section reviews petitions for rehearing of Commission decisions and recommends to the Commission whether to grant, deny or modify such petitions. It also defends Commission decisions on appeals to the California Supreme Court.

Staff Counsel Section 1 is responsible for representing the Commission's Division of Ratepayer Advocates in hearings before the Commission dealing with telecommunications, the certification of new power plants or transmission lines and utility financing issues. Staff Counsel Section 1 also represents the Commission before other state administrative agencies like the California Energy Commission.

Staff Counsel Section 2 represents the Division of Ratepayer Advocates in all Commission proceedings involving energy utilities (except those involving certificates or financing), as well as all water and transportation utilities.

The Federal Section represents the Commission in federal courts and before federal administrative agencies, such as the Federal Energy Regulatory Commission and the Federal Communications Commission.

DIVISION OF RATEPAYER ADVOCATES

The Division of Ratepayer Advocates critically reviews and analyzes all utilities' applications that are set for hearing, testifies in hearings and investigations, and makes analyses and recommendations intended to serve the best long-term interests of all utility ratepayers.

The Division of Ratepayer Advocates is comprised of 10 branches or other units: Fuels; Energy Rate Design and Economics; Energy Resources; Energy-Operational Costs; Energy-Auditing; Telecommunications-Operational Costs; Telecommunications-Rate Design; Telecommunications Investigation and Research; Financial and Economic Analysis; and Diablo Canyon Study Team.

COMMISSION ADVISORY AND COMPLIANCE DIVISION

The Commission Advisory and Compliance Division advises the Commission whether to approve, deny, or modify all utility requests that are not assigned for hearing. It oversees enforcement of Commission orders and provides technical assistance to the Commission. It keeps the Commission informed about major developments affecting each utility within the Commission's jurisdiction. It is comprised of eight branches: Telecommunications; Water Utilities; Service and Safety; Energy; Accounting and Finance; Auditing and Compliance; and Advisory.

STRATEGIC PLANNING DIVISION

Looking beyond the PUC's daily responsibilities, the Strategic Planning Division analyzes emergency policy issues and changes in the regulatory environment caused by new economic, financial, institutional and technological trends. The Commission reviews this division's analyses to determine how these trends will affect its role and procedures.

TRANSPORTATION DIVISION

The Transportation Division sees that rates the Commission fixes are just and reasonable and that the service regulated carriers, freight trains and trucks, privately-owned passenger buses, railroads and vessels adhere to the state's transportation rules and regulations. It also oversees the safety of railroad operations and grade crossings and certain public rail transit systems. It issues operating licenses and collects statutory fees.

MANAGEMENT SERVICES DIVISION

The Management Services Division provides services to support the PUC's daily operation. It also carries out a number of statutory functions required by the Public Utilities Code. It provides, among other things, administrative, data processing, personnel, employee training and development, fiscal, and budget planning services.

PUBLIC AFFAIRS DIVISION

The Public Affairs Division includes the News Bureau and the Consumer Affairs Branch.

The News Bureau keeps the public informed of PUC policy and action by means of the print and broadcast media, and a variety of special publications.

The Consumer Affairs Branch handles protests, complaints and inquiries from individual utility customers and keeps the Commission informed of consumer concerns.

PUBLIC ADVISOR

Mandated by Section 321 of the Public Utilities Code, the Public Advisor assists people who want to participate in Commission proceedings.

DIVISION OF ADMINISTRATIVE LAW JUDGES

The Division of Administrative Law Judges helps the Commission discharge the quasi-judicial functions it must perform under terms of the California Constitution and State Statutes. The Administrative Law Judges conduct public hearings, analyze evidence and prepare recommended decisions for approval by the Commission in formal proceedings.

Following is a breakdown of Commission activity by days of hearing and number of decisions in formal proceedings.

Statistical Section
Utilities

MAJOR GAS AND ELECTRIC UTILITY RATE APPLICATIONS FILED

Applications filed July 1, 1987 to June 30, 1988

Utility	Type of Proceeding	Application Number	Date Filed	Revenue Requested
Pacific Gas and Electric Company	Attrition—Electric	A.L. 1173-E	10/1/87	
		Amended	12/8/87	$ (75,359,000)
	Attrition—Gas	A.L. 1431-G	10/1/87	(6,260,000)
	Hazardous Waste	87-10-019	10/15/87	19,400,000
	ECAC/ERAM	88-04-057	4/21/88	129,282,000
Subtotal				67,063,000
San Diego Gas and Electric Company	ECAC/ERAM	87-07-009	7/2/87	
		Amended	8/20/87	(68,300,000)
	SONGS 2&3	87-07-044	7/23/87	-0-
	Attrition—Electric	A.L.719-E	10/15/87	3,673,627
	" —Gas	A.L.625-G	"	836,245
	General—Electric	87-12-003	12/1/87	35,977,000
	" —Gas	"	"	22,393,000
Subtotal				(77,374,128)
Southern California Edison Company	Palo Verde 3	87-08-054	8/28/87	51,456,000
	ECAC/ERAM	88-02-016	2/11/88	627,900,000
	Hazardous Waste	88-03-013	3/7/88	417,000
	Devers-Serrano	88-05-007	5/6/88	8,525,000
	Balsam Meadows	88-05-012	5/11/88	22,296,000
	Hazardous Waste	88-06-052	6/24/88	711,000
Subtotal				711,305,000
Southern California Gas Company	Attrition	87-07-048	7/31/87	(74,000)
	Hazardous Waste	88-03-070	3/7/88	2,925,500
	"	88-06-052	6/24/88	
Subtotal				2,851,500
Subtotal Requested Rate Increases				889,815,372
Subtotal Requested Rate Decreases				(185,970,000)
NET TOTAL REQUESTED REVENUE CHANGES				$ 703,845,372

NATURAL GAS RATE PROCEEDINGS

Decisions Effective July 1, 1987 to June 30, 1988

Application No.	Decision No.	Utility	Revenue Increase Requested	Revenue Increase Authorized	Percent	Proceeding Type
87-07-048	87-12-064	Southern California Gas	$ (74,000)	$ [1]	N/A	Attrition
A.L. 1431-G	Res. G-2755	Pacific Gas & Electric	(6,260,000)	[2]	N/A	Attrition
A.L. 625-G	Res. G-2757	San Diego Gas & Electric	836,245	[3]	N/A	Attrition
A.L. 390	Res. G-2767	Southwest Gas—Mojave Division	(284,582)	(550,675)	193.5%	Attrition
"	"	" —Sierra Division	(210,646)	(251,892)	119.5	Attrition
A.87-04-040 [4]	Res. G-2779	Pacific Gas & Electric	265,300,000	144,151,000	[5]	Restructuring
A.87-01-037	Res. G-2780	San Diego Gas & Electric	22,900,000	30,748,000	[5]	Restructuring
A.87-01-033	Res. G-2783	Southern California Gas	8,700,000	(221,945,000)	[5]	Restructuring
A.L. 640-G	—	San Diego Gas & Electric	(177,000)	(177,000)	100.0	Restructuring
TOTAL			$290,730,017	$ (48,025,367)	-16.5%	

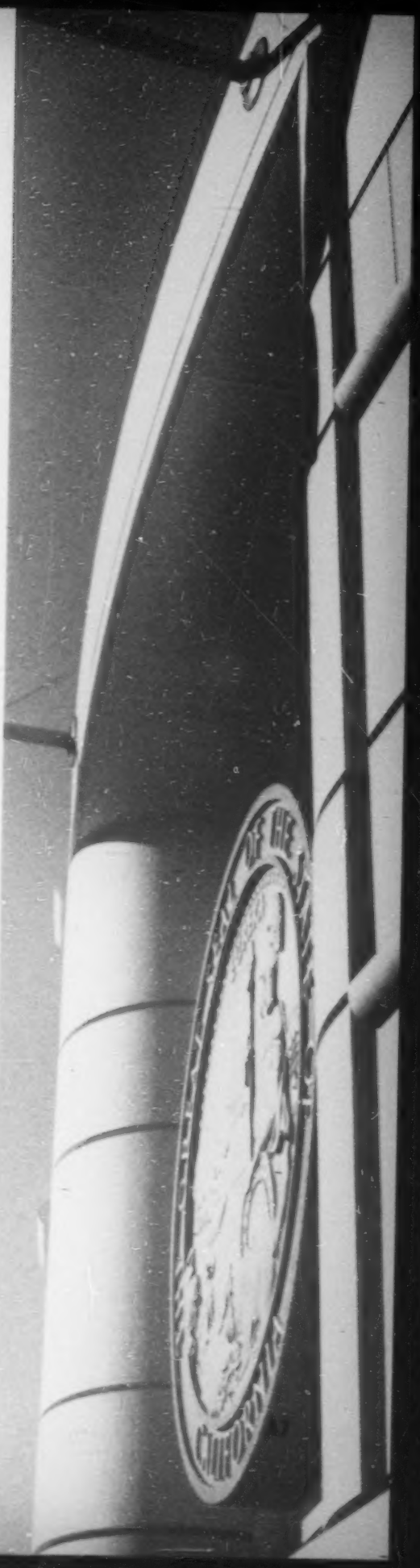
[1] Incorporated into restructuring rate change.
[2] $(16,949,000) incorporated into restructuring rate change.
[3] $(3,136,655) incorporated into restructuring rate change.
[4] Replaces A.87-01-032, which was withdrawn.
[5] Decision 87-12-039 ordered advice filings to restructure gas rates for three major utilities. Final revenue changes included attrition, fuel cost offsets, Tax Reform Act of 1986, GEDA, conservation.

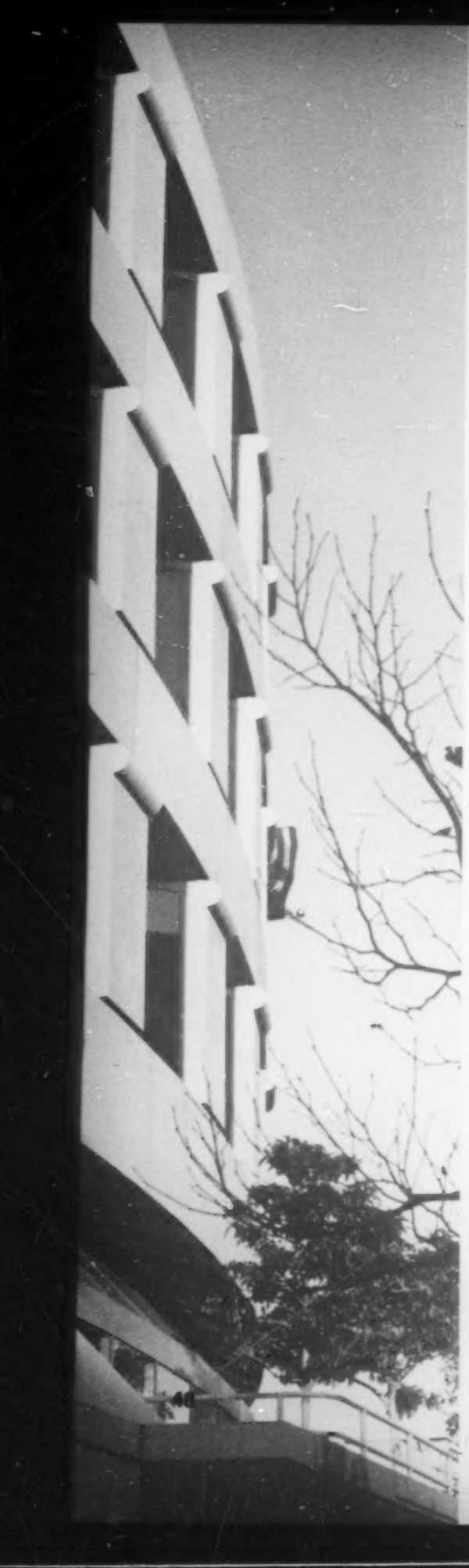
ELECTRIC RATE PROCEEDINGS

Decisions Effective July 1, 1987 to June 30, 1988

Application No.	Decision No.	Utility	Rate Increase Requested	Rate Increase Authorized	Percent	Proceeding Type
A.L. 1152-E	E-3041	Pacific Gas & Electric	$ 26,894,000	$ 26,894,000	100.0%	Decommissioning
85-12-011	87-07-002	CP National	0	(11,631)	N/A	General
86-12-047	87-12-066	Southern California Edison	N/A	(32,663,000)	N/A	General [1]
87-08-006	87-12-068	Pacific Gas & Electric	N/A	157,579,000	N/A	Attrition [2]
87-07-009	87-12-069	San Diego Gas & Electric	N/A	(141,211,000)	N/A	ECAC/ERAM [3]
A.L. 774-E	—	Southern California Edison	20,000,000	20,000,000	100.0	Plant Phase-In
87-08-054	88-03-022	Southern California Edison	10,965,000	10,965,000	100.0	Plant Offset
87-09-028	88-04-016	Sierra Pacific	3,175,000	2,529,000	79.7	ECAC/ERAM
84-06-014	88-05-027	Pacific Gas & Electric	1,361,638,000	147,384,000	10.8	Interim Plant Offset
88-02-016	88-05-074	Southern California Edison	627,900,000	200,000,000	31.9	Interim ECAC/ERAM
TOTAL			$2,050,572,000	$ 391,465,369	19.1%	

Net rate changes for revenues authorized in several proceedings:
[1] General rate case, ECAC/ERAM, plant offsets, conservation, decommissioning.
[2] Attrition, ECAC/ERAM, plant offset, income tax.
[3] Attrition, ECAC/ERAM, plant offsets, decommissioning, income tax.





STEAM RATE PROCEEDINGS

Decisions Effective July 1, 1987 to June 30, 1988

Advice Letter No.	Utility	Revenue Change	Proceeding Type
153-H	San Diego Gas & Electric	$ (264,521)	Fuel Cost
155-H	San Diego Gas & Electric	1,979	Fuel Cost
156-H	San Diego Gas & Electric	(29,300)	Attrition, Tax Reform Act
TOTAL		$ (291,842)	

BUTANE RATE PROCEEDINGS

Decisions Effective July 1, 1987 to June 30, 1988

Advice Letter No.	Utility	Revenue Change	Proceeding Type
77-G	Southern California Edison	$ 88,540	General
78-G	Southern California Edison	(29,353)	Fuel Cost
80-G	Southern California Edison	(85,082)	Fuel Cost
TOTAL		$ (25,895)	

TELECOMMUNICATIONS RATE PROCEEDINGS

Decisions Effective July 1, 1987 to June 30, 1988

Application No.	Decision No.	Utility	Rate Increase Requested	Rate Increase Authorized	Percent	Footnote
85-01-034	87-12-067	Pacific Bell (TY 1986)	$ 425,500,000	$ (86,400,000)	N/A	[1]
85-11-029	Res. T-12032	AT&T-California (TY 1986)	123,600,000	3,876,000	N/A	[2]
"	88-06-036	"	"	(4,400,000)	N/A	[2]
A.L. 15243	Res. T-12079	Pacific Bell (AY 1988)	(57,700,000)	(64,900,000)	112.5%	[3]
87-01-002	87-12-070	GTE-California (TY 1988)	(114,000,000)	(122,700,000)	107.6	
TOTAL			$ 377,400,000	$ (274,524,000)	(72.7)%	

[1] D.86-03-049 previously authorized $120,700,000 reduction. Net percent authorized (48.7)%.
[2] D.86-11-079 previously authorized $8,391,000 increase. Net percent authorized 6.4%.
[3] Interim 1988 attrition decision; final decision expected Fall 1988.

CUSTOMERS OF LARGE UTILITIES IN CALIFORNIA

Years 1978 through 1987

End-of-year	Gas	Steam	Electric	Water	Telephone	Total	Annual Increase
			(Customers in Thousands)				
1978	6,894	0.3	7,007	1,124	11,722	26,747	4%
1979	7,067	0.3	7,233	1,138	12,696	28,134	5%
1980	7,203	0.3	7,420	1,150	12,886	28,659	2%
1981	7,328	0.3	7,546	1,100	13,325	29,299	2%
1982	7,384	0.3	7,624	1,004	13,498	29,510	1%
1983	7,438	0.3	7,725	942	13,938	30,043	2%
1984	7,499	0.3	7,892	1,122	14,008	30,521	2%
1985	7,714	0.2	8,084	1,140	14,633	31,571	3%
1986	7,901	0.2	8,307	1,157	15,484	32,849	4%
1987	8,127	0.2	8,561	1,169	15,984	33,841	3%
Annually Compounded Growth Rate							
1978–1987	1.8%	–4.4 %	2.3%	0.4%	3.5%	2.6%	–

WATER RATE PROCEEDINGS

(Large Companies)

Decisions Effective July 1, 1987 to June 30, 1988

Application No.	Decision No.	Utility	District	Revenue Increase Requested	Revenue Increase Authorized	Percent
86-11-022	87-09-071	Park	Central Basin	$1,830,600	$ 964,800	53.8%
87-04-066	87-12-043	SoCal	Arden-Cordova	287,500	194,800	67.8
87-04-067	"	"	Big Bear	687,400	(136,300)	(19.8)
87-04-068	"	"	San Gabriel	634,500	357,400	56.3
87-04-069	"	"	Wrightwood	219,600	144,100	65.6
		Totals		$3,659,600	$1,544,800	42.2%

WATER RATE PROCEEDINGS

(Small Companies)

Decisions Effective July 1, 1987 to June 30, 1988

Application No.	Decision No.	Utility	Revenue Increase Requested	Revenue Increase Authorized	Percent
85-08-036	87-07-011	Yosemite Spring Park Util. Co.	$ 452,987	$ 84,220	18.6%
87-04-062	87-07-94	Camp Meeker Water System	12,000	0	0.0
85-11-041	87-08-024	Apple Valley Ranchos Water Co.	773,300	0	0.0
86-10-016	87-08-49	Cedar Ridge Water Co.	82,420	34,423	41.8
87-02-041	87-08-050	Sorsoli Water Company	5,313	5,094	95.9
86-11-021	87-09-071	Uehling Water Company	127,500	109,200	85.6
86-09-016	87-10-071	Kenwood Village Water Company	10,500	7,405	70.5
87-04-062	87-10-087	Camp Meeker Water System	29,091	29,091	100.0
87-01-021	87-11-021	Garrapata Water Company	23,260	5,843	25.1
86-11-027	87-11-054	Penngrove Water Company	28,350	1,120	4.0
86-11-025	87-11-057	Grizzly Park Water Company	61,766	26,351	42.7
87-05-001	87-11-062	Park Water Company—Vandenberg Disposal Division	212,729	181,800	85.4
87-04-042	88-02-010	Fruitridge Vista Water Company	164,500	136,400	82.9
87-05-044	88-04-024	Lake Forest Water Company	14,137	9,796	69.3
87-04-002	88-05-026	Stirling Bluffs Corporation	36,323	28,035	77.2
	Totals		$2,034,176	$658,578	32.4%

WATER RATE PROCEEDINGS SUMMARY

	Requested	Revenue Authorized	Increase Percent
Total Large Water Companies	$3,659,600	$1,544,800	42.2%
Total Small Water Companies	2,034,176	658,578	32.4%
Total	$5,693,776	$2,203,378	74.6%

WATER RATE PROCEEDINGS SUMMARY

Decisions Effective July 1, 1987 to June 30, 1988

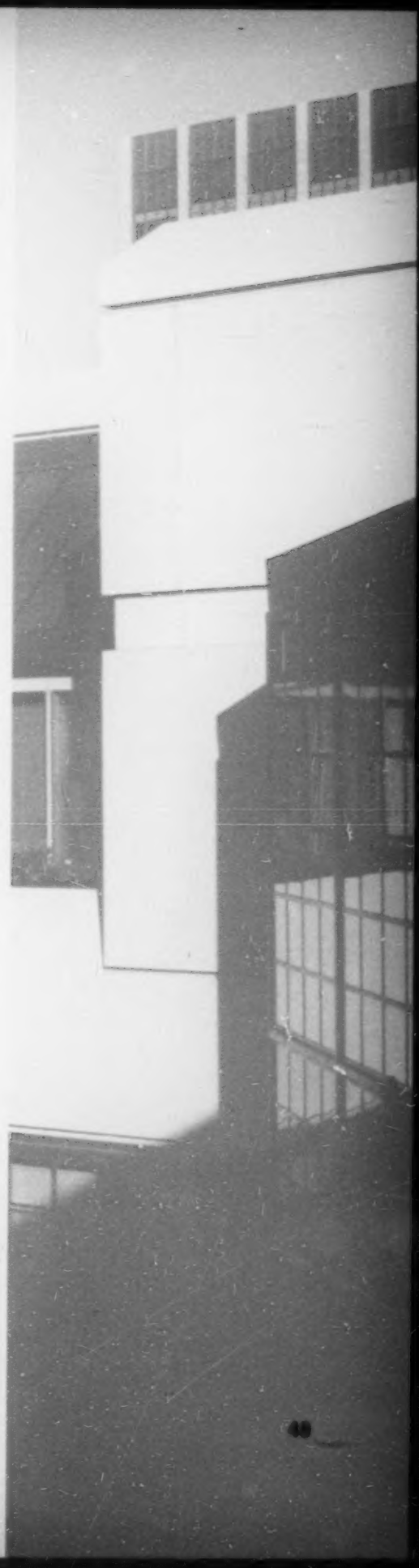
Type of Proceeding	No. of Proceedings	Annual Revenues
General Rate Increases (Formal Decisions)		
Large Companies	5	$ 1,544,800
Small Companies	15	658,578
Subtotal	20	2,203,378
General Rate Increases (Advice Letters)	19	238,091
Offset Rate Increases (Advice Letters)	13	3,491,033
TOTAL	52	$ 5,932,502

UTILITY PLANT OF LARGE UTILITIES IN CALIFORNIA

Years 1978 through 1987

End-of-year	Gas	Steam	Electric	Water	Telephone[2]	Total	Annual Increase
			(Dollars in Thousands)				
1978	$3,571,350	$10,485	$12,235,252	$ 789,126	$11,676,421	$28,282,634	8%
1979	3,764,462	10,625	12,895,178	810,625	12,791,650	30,272,540	7%
1980	4,001,702	10,828	13,741,226	866,479	14,507,234	33,127,469	9%
1981	4,273,531	10,284	14,718,839	863,836	15,964,162	35,830,652	8%
1982	4,492,925	10,730	15,715,885	912,587	17,725,438	39,857,565	8%
1983	4,764,054	15,565 [1]	18,919,338	907,829	18,625,162	43,231,948	11%
1984	5,161,396	16,272	23,109,000	958,005	24,247,083 [2]	53,491,756	24%
1985	6,054,780	16,643	28,646,772	1,018,823	26,251,420	61,988,438	16%
1986	6,625,358	18,214	33,774,661	1,068,954	27,896,380	69,403,567	12%
1987	7,189,231	20,388	36,816,679	1,159,323	28,864,774	74,050,395	7%
Annually Compounded Growth Rate							
1978–1987	8.1%	7.7%	13.0%	4.4%	10.6%	11.3%	–

[1] Previously, majority of plant was allocated to Electric Department for electric production.
[2] Intrastate through 1983, total company thereafter.



OPERATING REVENUE OF LARGE UTILITIES IN CALIFORNIA

Years 1978 through 1987

End-of-year	Gas[1]	Steam	Electric[2]	Water	Telephone[3]	Total	Annual Increase
			(Dollars in Thousands)				
1978	$2,806,942	$3,834	$ 4,943,436	$161,986	$ 4,267,539	$12,183,737	10%
1979	3,796,111	3,786	5,038,932	178,173	4,640,500	13,657,502	12%
1980	5,024,015	4,315	7,199,207	199,744	5,371,553	17,796,834	30%
1981	5,709,779	5,214	8,176,299	220,281	6,299,403	20,410,576	15%
1982	6,874,163	7,130	9,400,542	235,114	7,385,532	23,902,481	17%
1983	7,116,775	7,099	9,019,897	253,990	7,796,040	24,195,801	1%
1984	7,346,150	7,504	10,175,573	316,524	10,082,796 [4]	27,930,547	15%
1985	7,806,250	7,030	11,509,798	332,959	10,831,923	30,487,960	9%
1986	5,400,541	6,248	11,416,289	352,898	10,840,087	28,015,883	–8%
1987	5,494,672	6,056	11,607,048	370,544	10,695,236	28,173,556	1%
Annually Compounded Growth Rate							
1978–1987	7.7%	5.2%	9.9%	9.6%	10.7%	9.8%	–

[1] Revenue less interdepartmental sales.
[2] Revenue less interdepartmental and resale.
[3] Intrastate through 1983, total company thereafter.

MAJOR REVENUE CHANGES

Decisions Effective July 1, 1987
to June 30, 1988

Type of Utility	Revenue Changes
INCREASES	
Gas	$ 174,899,000
Butane	88,540
Steam	1,979
Electric	565,351,000
Communications	3,876,000
Water	6,068,802
Subtotal	750,285,321
REDUCTIONS	
Gas	(222,924,367)
Butane	(114,435)
Steam	(293,821)
Electric	(173,885,631)
Communications	(278,400,000)
Water	(136,300)
Subtotal	(675,754,554)
NET CHANGE	
Gas	(48,025,367)
Butane	(25,895)
Steam	(291,842)
Electric	391,465,369
Communications	(274,524,000)
Water	5,932,502
TOTAL NET REVISIONS	$ 74,530,767

ANNUAL HEARING/DECISION ACTIVITY REPORT

FISCAL YEAR 1987–88

UTILITY MATTERS

	Hearing Days				CPUC Decisions			
	SF	LA	Other	Total	ALJ Div	Branches	Exec. Session	Total
WATER AND SEWER UTILITIES								
Complaints	4	2	4	10	26		2	28
Rate Matters	7	7	15	29	26		1	27
Certification/Transfers				0	17		1	18
Miscellaneous			1	1				0
Commission Investigations		1	2	3	6		1	7
Finding of Just Compensation—Condemnation	8	1		9	2		4	6
	19	11	22	52	77	0	9	86
ELECTRIC UTILITIES								
Rate Matters (General Rate Cases)	18	1	11	30	16		2	18
ECAC—(Energy Cost Offset)	35	2		37	21		2	23
Major Plant Additions								
a. Rate Base Offset	23	2		25	6			6
b. MAAC		2	2	4				0
Certification								
a. Power Plants	2			2	2			2
b. Transmission Line Siting	12			12	6	1	1	8
Deviations from Undergrounding Rules				0				0
Complaints	12	2	8	22	23		2	25
Electric Safety/Line Extension	2			2	1		1	2
Miscellaneous	7			7	5	1		6
	111	9	21	141	82	2	6	92
GAS UTILITIES								
Rate Matters (General Rate Cases)	1	1	1	3	5			5
Gas Cost Offset—(Offset Matters)	7	4		11	10		3	13
LNG Siting				0				0
Gas Safety				0				0
Certification of Facilities	3		1	4	1			1
Complaints	2	8	1	11	13	4	1	18
Gas Service Priorities—Curtailment				0				0
Miscellaneous				0	2			2
	13	13	3	29	31	4	4	39
MULTI UTILITIES								
Gas and Electric (Rates)	16		1	17	3		1	4
Complaints	12		2	14	18		2	20
Commission Investigations	59	1	17	77	25		5	30
Miscellaneous	2			2	10	1		11
Rulemaking (All utilities)	15			15	5	4		9
	104	1	20	125	61	5	8	74
TELEPHONE UTILITIES/COMMUNICATIONS								
Rate Matters (General Rates)	26	54		80	20		4	24
Commission Investigations	40	10	1	51	17		7	24
Terminal Equipment (PBX Sales-Pricing)				0				0
Radio Telephone Utility (RTU) Certification	3	1		4	59			59
Other Common Carrier (OCC) Certification	3	1	2	6	18			18
Complaints	20	17	8	45	41	1	4	46
Miscellaneous	22	4		26	21		2	23
	114	87	11	212	176	1	17	194

ANNUAL HEARING/DECISION ACTIVITY REPORT

FISCAL YEAR 1987-88

UTILITY MATTERS

	Hearing Days				CPUC Decisions			
	SF	LA	Other	Total	ALJ Div	Branches	Exec. Session	Total
FINANCING/TRANSFER OF UTILITIES OR CONTROL								
Combined Gas and Electric Utilities	1		2	3	5	11	1	17
Gas (Only)				0	2	1		3
Electric (Only)	6			6	8	6		14
Telephone	1			1	8	8		16
RTU				0	8	2		10
OCC				0	4			4
Water/Sewer	1	1	7	9	13	8		21
	9	1	9	19	48	36	1	85
ALTERNATIVE ENERGY—CONSERVATION								
Zero Interest Financing								
Gas				0				0
Electric				0				0
Residential Conservation Service								
Gas				0				0
Electric				0				0
Load Management (Electric Only)				0				0
Solar Financing—Demonstration								
Gas				0				0
Electric				0				0
Solar Related Matters								
Gas				0				0
Electric				0				0
Utility Resource Plan (Electric Only)								
Cogeneration—Small Power Production (Electric Only)								
OIIs—OIRs								
Individual Applications	1			1	1			1
	1	0	0	1	1	0	0	1
TOTAL UTILITY	371	122	86	579	476	48	47	571

ANNUAL SUMMARY

FISCAL YEAR 1987-88

	Hearing Days				CPUC Decisions			
	SF	LA	Other	Total	ALJ Div	Branches	Exec. Session	Total
TOTAL UTILITY	371	122	86	579	476	48	47	571
TOTAL TRANSPORTATION	67	33	8	108	182	132	15	329
GRAND TOTAL	438	155	94	687	658	180	62	900

Of the 900 decisions, 121 decisions were issued by Executive Director order and 15 by order of the Director of Transportation.

Statistical Section Transportation

TARIFF SECTION

Tariff and Contract Filings	Tariff Pages	Contracts
In process, beginning of FY 87-88	200	260
Number filed	54,112	6,368
Number analyzed and accepted	48,408	5,180
Number analyzed and rejected	4,354	438
In process, end of FY 87-88	3,550	1,010
Number of carriers on file as of 6/30/88	3,808	688

Reduced Rate Filings with Cost Justifications (CJs)	Rejustifications (1)	New Filings (2)	Total Filings
In process, beginning FY 87-88	119	46	165
Number filed	771	1,590	2,356
Number accepted	471	1,209	1,680
Number rejected	224	317	541
Number withdrawn by filer	0	12	12
In process, end of FY 87-88	195	98	293
Number of carriers filing CJs	370	527	704

(1) Rejustification of Rate Reductions which had been filed under former General Order 147, as required by Decision 86-04-045.
(2) Reduced rate filings requiring cost justification under new General Order 147-A.

HIGHWAY CARRIER OPERATING AUTHORITIES PROCESSING OF HIGHWAY CARRIER PERMITS AND CERTIFICATION

Permits	
New Permits	4,571
Transfers	1,071
Revocations	5,984
Motor Transportation	
Broker Licenses	18
TOTAL	11,644

Certificates	
New Certificate and Extensions	260
Transfers	113
Revocations	408
TOTAL	781

INSURANCE AND BOND FILINGS OF HIGHWAY CARRIERS OF PROPERTY/PASSENGERS

	Property	Passengers
Public Liability and Property Damage	30,856	3,998
Cargo Insurance (Household Goods Carriers)	1,037	N/A
Insurance Cancellations	33,435	1,439
Insurance Reinstatements	10,514	211
Surety Bond and C.O.D. Bonds	2,149	N/A
TOTAL	77,991	5,638

DECISIONS GRANTING NEW COMMON CARRIER CERTIFICATES OF PUBLIC CONVENIENCE AND NECESSITY FOR PASSENGER STAGE AND VESSEL SERVICES

NEW AIRPORT ACCESS PASSENGER STAGE SERVICES

1987–88

Application No.	Decision No.	Certificate Issued To	Service Location
A8612025	D8707018	Aura Transportation, Inc.	Simi Valley, Conejo Valley, Malibu and Los Angeles International Airports.
A8612045	D8803046	John Kindt	Los Angeles, Orange, San Bernardino, Ventura Counties and Southern California Airports and Harbors.
A8704037	D8709015	Ben-Ron	Orange County Airport-Fountain Valley.
A8702039	D8801057	Great American Stage Lines, Inc.	Los Angeles, Ventura and San Bernardino Counties and Los Angeles International and Burbank Airports.
A8704044	D8708020	William L. Helton	Murietta Hot Springs Resort and Ontario, San Diego Airports.
A8705040	D8802048	Wang	San Gabriel Valley and Los Angeles International Airport.
A8705045	D8710084	American Transportation Enterprises, Inc.	Los Angeles County and Los Angeles International, Ontario and Burbank Airports.
A8706017	D8803071	San Diego Airporter Express	San Diego and San Diego Airport.
A8707035	D8710079	L. Bartsch	San Bernardino-Ontario Airport.
A8708046	D8803053	Behzad Fatemi	Santa Clara Co. and San Jose and San Francisco Airports.
A8709017	D8802018	R. E. Dietrick	San Diego and San Diego Airport.
A8710011	D8804039	Traders Travel World, Inc.	San Gabriel Valley and Los Angeles International Airport.
A8711025	D8802049	Metropolitan Paratransit	Certain Hotels in Los Angeles and Los Angeles International Airport.
A8712056	D8806033	Gormley Takei Shuttles, Inc.	Santa Clarita Valley and Los Angeles International and Burbank Airports.
A8801020	D8804002	Solano Airbus Service	Solano County and San Francisco International Airport.

FARE INCREASES AUTHORIZED PASSENGER STAGE CARRIERS

Application No.	Decision No.	Certificate Issued To	Estimated Annual Intrastate Revenues Under Present Fares	Estimated Annual Intrastate Revenues Under Fares Authorized
A8603014	D8801008	Bay Area Supershuttle	$3,722,468	ZORF, unpredictable
A8611036	D8708036	Skyview Limousine Service	355,763	388,566
A8703004	D8709008	Capitol City Coop	186,004	196,797
A8706008	D8709024	Mann Transp. Airport Shuttle	547,254	642,594
A8712004	D8802038	Hassan M. Hosseini dba Super Express	612,000	684,000
A8801026	D8804048	Hassan M. Hosseini dba Super Express	684,000	ZORF, unpredictable
A8802006	D8806013	Alfredo Andres, et al dba Sacramento	52,702	69,112
A8802025	D8804044	Desert Stage Lines	252,810	290,700
A8803022	D8805052	Southern California Coach	681,672	800,000

MINIMUM RATE TARIFF INCREASES
FISCAL YEAR (87–88)

Transportation	Percent Increase	Dollar Increase (In Thousands)
Livestock, MRT 3-A	None	None
Household Goods, MRT 4-C	4.88	11,654
Dump Truck, MRT 7-A	None	None
MRT 17-A	None	None
MRT 20	None	None

NEW HOME-TO-WORK PASSENGER STAGE SERVICES

Application No.	Decision No.	Certificate Issued To	Service Location
A8704030	D8706040	Quintanilla	Emeryville-San Francisco
A8704065	D8706037	Scott	San Jose—SFO
A8712015	D8712040	Gulton Charter Lines	Hayward—San Francisco
A8712030	D8804019	Whippet	Fremont—UAL Maintenance Base
A8803026	D8804078	Marine Taxi	Ports of Sacramento—Yolo County

NEW INTERCITY PASSENGER STAGE SERVICES

Application No.	Decision No.	Certificate Issued To	Service Location
A8602014	D8708021	Mexicoach Inc.	San Diego and San Ysidro
A8703041	D8707008	White	Yosemite—Bass Lake
A8711024	D8806019	McCoy	Fresno—Yosemite National Park
A8803010	D8806053	Youthways Transportation, Inc.	Los Angeles, Ventura Counties and Three Beaches

NEW VESSEL COMMON CARRIER PASSENGER SERVICES

Application No.	Decision No.	Certificate Issued To	Service Location
A8707026	D8802019	Long Beach Marine Limited	Freight Only. Los Angeles and Long Beach Ports

SUMMARY OF ROAD CHECKS

	Number
Road Checks	40
Carriers Reviewed	9,859
Violations Disclosed	243

FARE INCREASES AUTHORIZED VESSEL COMMON CARRIERS

Application No.	Decision No.	Certificate Issued To	Estimated Annual Intrastate Revenues Under Present Fares	Estimated Annual Intrastate Revenues Under Fares Authorized
A8704048	D8708015	Harbor Carriers, Inc.	$ 803,000	$ 869,000
A8704056	D8709019	Harbor Carriers, Inc.	195,000	259,000
A8704057	D8709020	Harbor Carriers, Inc.	1,269,000	1,473,000
A8705008	D8707070	Island Navigation Co.	221,195	276,059
A8802037	D8804071	Catalina Passenger Service, Inc.	1,497,724	1,729,528
A8803040	D8805018	California Cruisin', Inc.	928,000	1,165,000

CLASSIFICATION OF ACCIDENTS
1987

Type of Accident	ACCIDENTS Total	% of Total	CASUALTIES Killed	Injured	Total	% of Total
(1)						
VEHICLE—TRAIN ACCIDENTS						
Vehicle—Train at Public Crossings	269	86.77	17	80	97	87.38
Vehicle—Train at Private Crossings	34	10.96	2	5	7	6.30
Vehicle—Train Between Crossings	0	0.00	0	0	0	0.00
Subtotal	303	97.74	19	85	104	93.69
OTHER ACCIDENTS						
Miscellaneous	1	0.32	0	0	0	0.00
Pedestrian Accidents	6	1.93	6	1	7	6.30
Subtotal	7	2.25	6	1	7	6.30
TOTAL	310	100.00	25	86	111	100.00

"Vehicle" includes automobile, bus, truck, or motorcycle.
"Between Crossings" accidents take place where railroad trains operate longitudinally in paved streets.
"Miscellaneous" includes those accidents where the train struck bicycle, farm tractor or similar conveyance, and those incidents involving a maintenance train.

SAFETY PROGRAM—RAILROAD OPERATIONS

The table below summarizes the staff functions in dealing with problems and in obtaining compliance with Federal and State statutes and Commission General Orders applying to common carrier railroads and the health and safety of operating and non-operating employees, passengers, and the public.

	1983–84	1984–85	1985–86	1986–87	1987–88
1. Accident Reports analyzed and tabulated (calendar year)	2335	2308	2026	1685	1425
2. Casualties investigated in detail (calendar year)	171	187	161	148	165
3. Train accident investigations (calendar year)	105	102	79	60	57
4. Impaired clearance conditions processed	512	703	587	468	258
5. Walkways and other unsafe conditions processed	1180	883	1857	1372	580
6. Operational safety reviews	100*	100*	100*	100*	685
7. Equipment inspections	200*	200*	200*	200*	805
8. Total inspection transactions	1786	949	3024	2113	2521
9. Informal complaints filed	79	76	105	78	52
Informal complaints closed	117	80	92	110	39
10. Federal Safety Standards Unit (calendar year)					
Equip. Inspections	298	275	201	272	247
Track Inspections	147	153	162	205	206

* These figures were not tabulated for these years and represent estimates made in retrospect.
Note: Decreases in categories 4 and 5 are due to new inspection and compliance procedures. Random inspection and follow-up enforcement activities have replaced a comprehensive survey procedure which was a less efficient use of staff time. Additionally, the decreases in categories 4 and 5 and the increases in category 6 are in part due to an expansion of the program to enforce Federal as well as State statutes.

AUTOMATIC PROTECTION INSTALLED AT GRADE CROSSINGS BY COUNTY

County	Column I Number of New Crossings with Automatic Protection	Column II Initial and Improved Automatic Protection	Column III * Traffic Signals Included in Cols I & II	Column IV Automatic Gates Included in Cols I & II
Alameda	1	2		1
Amador		3		3
Butte		1		1
Colusa		1		1
Fresno	1	1		2
Imperial		1		1
Kings		1		1
Los Angeles	3	11		8
Orange		3		2
Riverside	1	5		6
Sacramento	38	5	31	38
San Bernardino	1	7		5
San Diego	1	2		
San Joaquin		4		4
San Luis Obispo		1		1
San Mateo	2			2
Santa Barbara		1		1
Santa Clara	1	4		2
Siskiyou		1		1
Solano		1		
Stanislaus		1		1
Tehama		1		1
Tulare		3		3
Tuolomne		2		2
Total	49	62	31	87

* Column III primarily applies to Light Rail Transit system operations on city streets. Traffic signal protection refers to signaling that governs vehicle and train traffic, often with train movements preempting the normal cycle of signal operation.

APPROPRIATIONS AND PAYMENTS
Fiscal Year 1987–88

Fiscal Year	APPROPRIATIONS		AUTHORIZED PAYMENTS	
	Amount	Cumulative	Amount	Cumulative
1987–88	$1,000,000	$20,651,224	$1,000,000	$18,521,580.88

GRADE SEPARATION FUND PROJECTS GRANTED ALLOCATIONS BY THE CALIFORNIA TRANSPORTATION COMMISSION
1987–88

	Line	Location	Railroad	Allocation
1	Twenty-third St.	Richmond	SPTCO	$ 4,710,400.00
2	Del Amo Blvd.	Carson	SPTCO	1,890,000.00
3	Lincoln Ave.	Anaheim	AT&SF	4,459,200.00
4	Beaumont Ave.	Beaumont	SPTCO	2,891,200.00
5	Carson St.	Carson	SPTCO	838,530.06-
6	Bernal Rd.*	San Jose	SPTCO	186,892.14
7	Newark Blvd.	Fremont	SPTCO	23,777.80< >
	Total Allocation			$15,000,000.00

*Supplemental allocation
†Balance Allocation, Section 2460.5 S & H Code.
< > Total Amount Requested $1,664,000.00

DISTRICT OFFICE ACTIVITIES

	Amount
Telephone Inquiries	127,426
In Person Inquiries	38,291
Applications for New Operative Authority Processed	3,626
Amendments of Existing Operating Authority Processed	68
Remittances Processed (fees, fines, penalties, etc.)	$1,637,753

SUMMARY OF INVESTIGATIONS COMPLETED

	Number
OPERATING AUTHORITY	
Highway Carriers of Property	1,990
Charter Party Passenger Carriers	379
RATE AND TARIFF	
Highway Carriers of Property	1,357
Surety Bond Investigations	886
TOTAL Investigations	4,606

SUMMARY OF INFORMAL COMPLAINTS

	Number	Amount
Delinquent Subhaul Monies Secured from Prime Carriers	83	$205,040
Household Goods Carrier Complaints	748	
Property Complaints other than Household Goods	1,324	
Household Goods Overcharge Settlements	147	57,051
Other Property Overcharge Settlements	13	2,626
Household Goods Loss & Damage Settlements	72	25,747
Other Property Loss & Damage Settlements	8	8,317
Household Goods Carrier Fines	9	1,482

NUMBER OF SHIPMENTS RATED

	Formal	Undercharge Citation	Priority	Non-Priority
Rate Analysis Unit	1,141	8,792	1,250	43

INFORMAL DISCIPLINARY ACTIONS

Type of Action	Number	Amount	Fines Assessed
Carrier Conferences			
Certificated	51		
Contract	116		
Household Goods	86		
Dump	77		
Other	65		
TOTAL	352		
District Attorney Citations			
Certificated	–		
Contract	5		
Household Goods	–		
Dump	5		
Passenger	25		
TOTAL	35		
Misdemeanor Convictions			
Property Carriers			
Certificated	0		
Contract	45		$ 32,814
Household Goods	12		14,952
Dump	8		1,940
Other	34		23,634
Passenger Carriers			
Limousine	33		26,673
Passenger Stage	2		100
TOTAL	134		100,113
Restraining Orders			
Passenger Carriers			
Civil	11		
Criminal	2		
TOTAL	13		
Undercharge Letters	12		$ 6,509
Overcharge Letters	8		3,426
Citation Forfeitures	264		320,461
Undercharge Citations	59		472,570

FORMAL INVESTIGATION PROCEEDINGS

O.I.I.'s issued by the Commission—11.

FORMAL DISCIPLINARY ACTIONS

9 Decisions Totaling: $20,000.00 Punitive; $107,058.65 Undercharges; $3,422.40 Underpayments to Subhaulers; $ – Overcharge Refunds.

Totaling: $127,481.05 in fines ordered.

Collected from Formal Cases $179,314.11.

CITATIONS

Citation Forfeitures processed 264, with fines of $320,461.13.

Field Citation Forfeitures processed 118, with fines of $79,479.80.

Undercharge Citations processed 59, with fines of $472,569.59.

NUMBER OF SHIPMENTS COMPLETED

RAU	Formal	Undercharge Citation	Priority	Non-Priority	Rate Quotes
	1,141	8,792	1,250	43	0

UNDERCHARGE LETTERS		OVERCHARGE LETTERS	
Carriers	Amount	Carriers	Amount
12	$6,508.60	8	$3,426.23

ORDERS INSTITUTING INVESTIGATION IN ENFORCEMENT PROCEEDINGS

Case No.	Date	Alleged Violation	Respondent's Location
7-07-003	7-08-87	Carrier failed to assess the 10% rate increase ordered by Decision 86-04-045, and failed to have a contract on file and in effect with the Commission.	El Cajon
7-08-020	8-12-87	Carrier conducted operations after its permit was suspended and revoked.	Belmont
7-10-014	10-16-87	Carrier operated as a charter-party carrier without a permit, engaged unlicensed subcontractors, served points as a passenger stage carrier that were not covered by a tariff, violated a restriction contained in its certificate regarding the use of subcontractors, and operated beyond the scope of its passenger stage certificate. Named subcontractors conducted operations without a permit.	San Francisco
8-03-043	3-23-88	Carrier engaged subhaulers without having a subhaul bond on file with the Commission; engaged subhaulers who were not licensed by the Commission, and commenced operations before being issued a household goods carrier permit.	Van Nuys
8-03-045	3-23-88	Carrier failed to have a contract on file and in effect with the Commission, failed to maintain proper documentation of shipments, and failed to assess applicable rates and charges.	El Sobrante
8-04-065	4-27-88	Carrier failed to assess the correct rates and charges as provided for in its common carrier tariff on shipments of cement.	Lodi
8-04-066	4-27-88	Carrier failed to assess the correct rates and charges as provided for in its common carrier tariff.	Ceres
8-04-067	4-27-88	Carrier failed to assess the applicable rates contained in Minimum Rate Tariff 7-A on shipments of sand and cinders, failed to obtain a weighmaster's certificate for shipments of lumber, and failed to retain copies of shipping documents.	Stockton
88-05-010	5-11-88	Carrier failed to assess the correct rates and charges as provided for in its common carrier tariff.	Cottonwood
88-15-011	5-11-88	Carrier conducted operations after the revocation of its permit, and failed to have evidence of adequate liability insurance on file to cover the transportation of hazardous materials.	Hayward
88-06-021	6-17-88	Carrier operated as a charter-party carrier in violation of a Commission cease and desist order and after the revocation of its permit, and failed to produce records for examination by a Commission representative.	San Francisco

DECISIONS IN ENFORCEMENT PROCEEDINGS

Decision No.	Date	Case No.	Violation	Decision Order
87-06-045	6-24-87	86-12-031	Carrier charged and collected less than the applicable rates and charges contained in Minimum Rate Tariff 7-A on the transportation of 1,573 loads of rock and sand.	Citrus Heights respondent ordered to pay a punitive fine of $4,000.00 and to collect undercharges of $30,002.51 and pay a fine in the same amount.
87-08-033	8-26-87	87-01-035	Carrier charged and collected less than its applicable tariff rates.	Woodland respondent ordered to collect undercharges of $49,627.17 and pay a fine in the same amount. Respondent's authority suspended for 7 days.
87-08-059	8-26-87	86-12-030	Carriers transported shipments of hazardous waste without having the required evidence of insurance on file with the Commission.	South San Francisco and East Palo Alto respondents' operating authority shall be automatically suspended if they haul hazardous waste without having Form TL 844 on file with the Commission.
87-09-039	9-10-87	85-08-047	Carrier assessed and collected less than the minimum rates provided in MRT 14-A.	Riverdale respondent ordered to collect undercharges of $5,005.37 and pay a fine in the same amount, and pay a punitive fine of $1,500.
88-03-016	3-09-88	87-06-015	Carrier charged and collected less than its applicable tariff rates, and engaged subhaulers to transport its own property and failed to pay the subhaulers 100% of the applicable rates.	Sacramento respondent ordered to collect undercharges of $5,818.77, pay an undercharge fine of $9,214.17, and pay a punitive fine of $5,000. Four respondent subhaulers ordered to pay punitive fines of $750 each.
88-03-027	3-09-88	87-06-020	Carrier conducted operations after its permit was suspended and revoked for failure to maintain evidence of liability insurance on file with the Commission.	Belmont respondent shall pay a punitive fine of $1,000.
88-03-047	3-23-88	87-07-003	Carrier failed to assess the applicable rates and charges as set forth in Transition Tariff 15.	El Cajon respondent ordered to collect undercharges of $16,604.83 and pay a fine in the same amount, and pay punitive fine of $500.
88-03-071	3-23-88	87-06-030	Carrier operated as a passenger carrier without holding appropriate authority from the Commission, and violated a Commission order to cease and desist.	San Diego respondent ordered to pay a $1,000 fine for being in contempt of a Commission order, plus other penalties totaling $4,000 for operating without authority.
88-05-033	5-11-88	88-04-065	Carrier charged rates on shipments of cement that had not been authorized by the Commission.	Interim order directed Lodi respondent to cease and desist from charging improper rates.

TRANSPORTATION MATTERS

	Hearing Days				CPUC Decisions			
	SF	LA	Other	Total	ALJ Div.	Branches	Exec. Session	Total
HIGHWAY CARRIER RATES								
Rate increase Applications and/or Minimum Rate Case Petitions for Modification	10			10	16	11		27
Applications for Deviations From Minimum Rates	11	1		12	26	7		33
Commission OIIs or OIRs into Generic Rate					8	3		11
Matters and/or Rules or Policy	12	3		15	8			8
Rate Enforcement (OIIs)	6	2	1	9	4			4
Safety-Insurance Matters				0	2			2
I&S Complaints About Rate Levels	1			1	2	1	2	5
Complaints (Other Than Rate Levels)	6	1		7	10		2	12
Miscellaneous				0	14	3		17
	46	7	1	54	90	25	4	119
HIGHWAY CARRIER CERTIFICATION AND TRANSFER OF OPERATING AUTHORITY								
Common Carriers (Certificates)				0				0
Permitted/Specialized Carriers (e.g., Dump Truck)	1			1	8		3	11
	1	0	0	1	8	0	3	11
HIGHWAY CARRIER FINANCING—ACQUISITION OF CONTROL (Issue Stock, Bonds, or Acquire Stock Control of Entity)	4			4	1			1
SURFACE PASSENGER MATTERS								
Certification & Transfer of Operating Authority								
Passenger Stage	5	14	1	20	48	4	3	55
Charter Party				0				0
Vessel		3	1	4	6		2	8
Rates								
Passenger Stage	1	1		2	7	7		14
Vessel				0		5		5
Complaints								
Bus: Passenger Stage	1	4	2	7	6	1	2	9
Charter Carriers			1	1				0
Vessel				0				0
Rail	1			1	1		1	2
BART				0	1			1
OIIs—OIRs								
Bus				0				0
Vessel				0				0
Rail				0				0
BART				0				0
Safety—Compliance/Safety Rules								
BART				0				0
Rail Safety				0	1			1
Bus				0				0
Vessel				0				0
	8	22	5	35	70	17	8	95
RAIL CROSSINGS								
Applications	5	2	2	9	8	89		97
OIIs—OIRs		2		2	1			1
Complaints	1			1	1			1
	6	4	2	12	10	89	0	99
MISCELLANEOUS								
Pipeline	1			1	1			1
Surface Passenger Matters	1			1	2	1		3
	2	0	0	2	3	1	0	4
TOTAL TRANSPORTATION	67	33	8	108	182	132	15	329

PUC LEGAL PROCEEDINGS

July 1, 1987–June 30, 1988

Petitions For Rehearing

Filed	Granted	Denied	Action Pending	Dismissed
62	13	36	12	1

Appeals To California Supreme Court

Filed	Granted	Denied	Action Pending	Dismissed
22	0	12	7	3

Federal Court Appeals

PUC Position Affirmed	PUC Position Rejected	Pending
4	2	32

CONSUMER AFFAIRS REPORT—1987/1988

UTILITIES	SAN FRANCISCO	LOS ANGELES	TOTAL	CENTREX TRANSFER	
Total Cases Filed	34,836	55,369	90,205	PG&E	1,879
				PAC BELL	1,203 (N)
Backlog	706	1,895	2,601		1,342 (S)
				GENERAL	767
Cases Closed	34,506	55,077	89,583	EDISON	3,422
				SOCAL GAS	1,910
Cases Still Open	1,036	2,187	3,223		10,613
Money Refunded	$320,487.95	$310,724.30	$631,212.25	CAB Filed	90,205
					100,818

CASE DETAIL	FILED			STILL OPEN			MONIES REFUNDED		
	S.F.	L.A.	TOTAL	S.F.	L.A.	TOTAL	S.F.	L.A.	TOTAL
Communications	20,991	26,551	47,542	535	1,178	1,713	$128,997.98	$178,428.74	$307,426.72
Electric	8,420	19,359	27,779	349	377	726	139,172.45	52,780.85	191,953.30
Gas	1,519	6,898	8,417	86	555	641	35,876.14	70,873.32	106,749.46
Water	1,758	1,516	3,274	36	71	107	16,441.38	8,641.39	25,082.77
Other	2,148	1,045	3,193	30	6	36	-0-	-0-	-0-
Totals	34,836	55,369	90,205	1,036	2,187	3,223	$320,487.95	$310,724.30	$631,212.25

Appendix

UTILITIES AND CARRIERS UNDER COMMISSION JURISDICTION 1987–88

Electric	10
Gas	6
Steam	2
Pipelines	7
Water	253
Sewer	14
Telephone (local)	23
Telephone (long distance)	124
Telegraph	1
Mobile Radio Telephone	98
Cellular Radio Resale	55
Cellular Radio Facilities	10
Commercial Air Operators	1,073
Charter-Party Carriers, Certificated	339
Charter-Party Carriers, Permits	1,063
Passenger Stages	168
Highway Common Carriers, Certificated	3,442
Cement Carriers, Certificated	167
Car Loading Companies	1
Freight Forwarders	23
Express Corporations	9
Railroads	25
Inland Passenger Water Carriers, Certificated	16
Inland Water-Carriers, For-Hire	337
Freight Water-Carriers, Certified	2

Permits in force, June 30, 1988 (Highway contract carriers, cement contract carriers, household goods carriers, dump truck carriers, livestock carriers, heavy specialized carriers, agricultural carriers, tank truck carriers, vacuum truck carriers, and seasonal agricultural and livestock carriers.) 35,589
These permits are held by 21,656 for-hire truck operators.

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PUC 1987-88 ANNUAL REPORT

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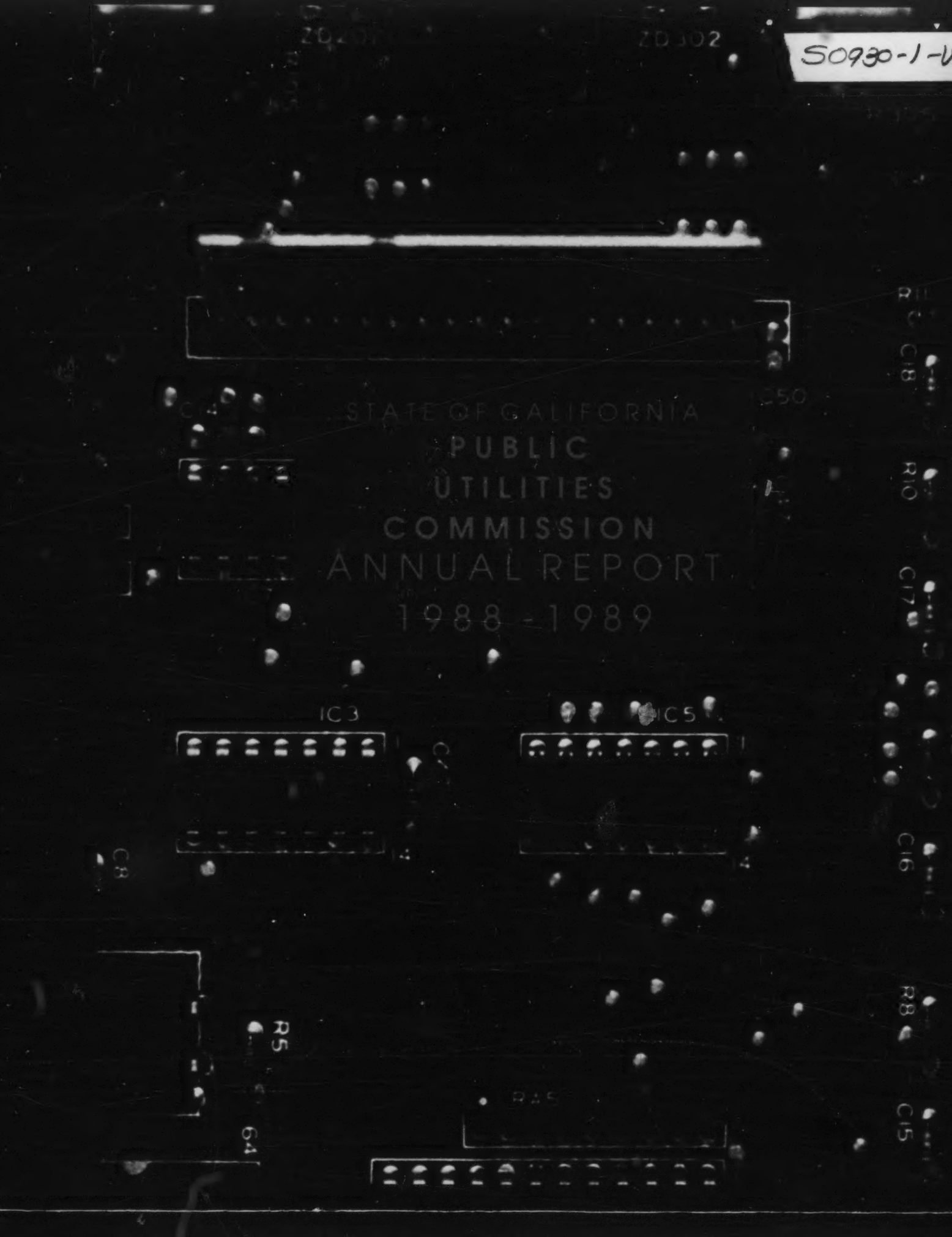
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STATE OF CALIFORNIA
PUBLIC
UTILITIES
COMMISSION
ANNUAL REPORT
1988-1989

G. Mitchell Wilk - President

Stanley W. Hulett - Commissioner

Frederick R. Duda - Commissioner

John B. Ohanian - Commissioner

Patricia M. Eckert - Commissioner

Cover: A telephone circuit board, provided to us for this photo by Executone Information Systems Inc., symbolizes the complexity and fast-changing nature of telecommunications - a focus of Commission action this year.

PUC 1988 - 89 ANNUAL REPORT

Editor - Dianne Dienstein
Public Affairs/News Bureau

State Of California

PUBLIC UTILITIES COMMISSION

ANNUAL REPORT

1988-1989

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LETTER OF TRANSMITTAL

The Honorable George Deukmejian

Governor of California

This fiscal year, the Commission continued to develop and explore innovative regulatory approaches to the increasingly competitive and complex conditions in California's utility industries.

The Commission's basic goal remains unchanged: to assure that Californians receive adequate and reliable utility service at the lowest reasonable cost. Public safety is another increasingly important goal, as is developing new ways to accommodate the diversity of California's population through education, outreach and new business relations between the utilities and minority and women-owned businesses.

A continuing challenge is developing methods for opening once protected utility markets to emerging competition. Our policy is to encourage competition and free markets as the best way to meet customers' needs, foster technological innovation, and keep investments and operations as efficient as possible. We are acting to make competition workable in electricity generation and gas procurement markets, and to widen the freedom of choice for truckers and shippers to make business arrangements. Where competition is unlikely or impractical, however, we will maintain a regulatory framework that protects captive customers of monopoly services. Our general policy is appropriate restructuring of the role regulation plays in selected new, more competitive utility markets.

In telecommunications, the Commission granted both long distance companies and local phone companies limited flexibility to change rates for services that have competition. This enables the utilities to compete with other unregulated companies which can change prices as they want. At the same time, the Commission has allowed more competitors to enter some markets, such as high speed data transmission, that were once reserved for the local phone companies.

The major activity has been the investigation into alternative regulatory frameworks for regulating local telephone companies. Parties have proposed a wide range of future directions, and the Commission is investigating these to determine whether they promise benefits to ratepayers and protections to competitors beyond those offered through traditional cost of service regulation.

In electricity, the Commission is investigating the merger proposed by Southern California Edison and San Diego Gas and Electric. If approved, the combination would be the largest utility in the country. The proposal is very important to the people of the San Diego area, and the Commission is conducting much of the proceeding in that area.

The extensive and contentious investigation of the costs of the Diablo Canyon nuclear power plant concluded with adoption of an innovative settlement that places the risk of future cost escalation and plant operation on Pacific Gas and Electric.

In gas, the Commission focused on proposals to build new interstate gas pipelines to serve California's huge gas market. At the Commission's urging, gas producers, pipelines, local distribution utilities, and large users negotiated new contracts and pipeline projects that are before the Commission for review. This process is permitting California parties to construct the best alternatives for the state, prior to a decision by the Federal Energy Regulatory Commission about potential new interstate pipelines to California customers.

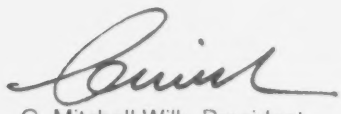
The Commission continued to make utility services available to large gas customers wanting to purchase their own gas. An innovative gas storage bidding program was approved, and ways for users to obtain firm rights to interstate gas pipeline capacity are being investigated.

In transportation, the Commission is implementing new programs, required by new legislation, to assure that carriers in California have adequate safety programs and meet the requirements of the California Highway Patrol.

At the same time, the Commission is reviewing proposals to reformulate economic regulation of the trucking industry to give truckers more flexibility in setting rates in this competitive market.

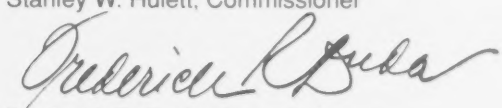
The Future

California's public utilities play a vital role in the economic growth and development of the state and in the health and well-being of its residents. We all have a stake in efficient, well-run, innovative and forward-looking utilities. The Commission is committed to providing incentives for the utilities to be efficient, using market forces when possible. And the Commission is committed to keeping utility rates as affordable as possible to the people of California. We have learned that the future belongs to the flexible, and that is what we hope to be in designing new ways for the utilities to serve, and compete, in the changing world economy.



G. Mitchell Wilk, President

Stanley W. Hulett, Commissioner



Frederick R. Duda, Commissioner

John B. Ohanian, Commissioner

Patricia M. Eckert, Commissioner

THE COMMISSION

From left to right: Commissioner Stanley W. Hulett, Commissioner Frederick R. Duda, Commission President G. Mitchell Wilk, Commissioner John B. Ohanian, Commissioner Patricia M. Eckert.

The California Public Utilities Commission (PUC) regulates the service and rates of more than 25,000 privately-owned utilities and transportation companies serving California including privately-owned gas, electric, local and long distance telephone, radio-telephone, water and steam heat utilities and sewer companies; railroads, buses, trucks, and vessels transporting freight or passengers; and carloaders and pipeline operators. The number of each type of utility regulated by the PUC during 1988-89 is contained in the Appendix to this report.

The PUC does not regulate city-owned or district-owned utilities, or mutual water companies.

The major utilities which the PUC regulates, and the acronyms used for them in this report are: American Telephone and Telegraph Company - California (AT&T-C), General Telephone Company (GTE-California), Pacific Bell (Pacific), Pacific Gas & Electric Company (PG&E), San Diego Gas & Electric Company (SDG&E), Southern California Edison Company (Edison), and Southern California Gas Company (SoCal Gas).

An organization chart and a description of each PUC division is contained in the Organizational Functions section of this report. The Division of Ratepayer Advocates participates in PUC proceedings to represent the long term interests of all classes of ratepayers and is referred to throughout this report as DRA. The Commission Advisory and Compliance Division enforces PUC regulations and is referred to as CACD.

In August of 1988, staff specializing in transportation were added to DRA. In February 1989, the Commission consolidated utility, rail, and rail transit safety oversight functions and staff from CACD and the Transportation Division into a new Safety Division.

G. MITCHELL WILK

President

Commissioner Wilk was appointed to the California Public Utilities Commission in December 1986 after serving on the Governor's staff in both legislative and policy liaison roles responsible for business, agriculture, consumer and public affairs.

Mr. Wilk has had extensive corporate management and public affairs experience. Prior to his selection by Governor Deukmejian to serve on his personal staff, Commissioner Wilk was responsible for nationwide government relations for Fireman's Fund Insurance Companies. He was active on the California Business Roundtable, and President of the Bay Area Public Affairs Council, among other organizations composed of senior corporate public affairs officers.

Prior to moving to California, Commissioner Wilk had extensive experience in Washington, D.C., where he held a variety of congressional staff and corporate management positions responsible for legislative and regulatory affairs. Mr. Wilk is an Army veteran, and served with the 8th Special Forces Group in the Panama Canal Zone, and later in the Pentagon responsible for Congressional liaison duties.

Mr. Wilk's educational background includes undergraduate and graduate degrees in finance and economics from the American University in Washington, D.C.

At the Commission, Mr. Wilk is the lead Commissioner for telecommunications and continues close liaison with the Governor's Office on matters concerning regulatory policy for California.

Commissioner Wilk was unanimously voted by his colleagues in December 1988 to serve as President of the Commission.

STANLEY W. HULETT

Commissioner

Stan Hulett was appointed to the Public Utilities Commission by Governor Deukmejian in 1986 and served as the Commission's President in 1987 and 1988. Commissioner Hulett also serves as a member of the California Transportation Commission.

Mr. Hulett was born in San Francisco on July 31, 1938, and is a fourth generation Californian. He was educated in public schools in Willits, Mendocino County, and graduated from Menlo College in 1958 and Stanford University in 1960 with a degree in Political Science.

After ten years in the lumber industry, he served as a legislative assistant for a member of Congress. He later served as Associate Director of the National Park Service and Deputy Director of the Interior Department's Bureau of Outdoor Recreation. Following government service, he was a Vice President of the American Paper Institute in Washington, D.C., and Executive Vice President of the California Forest Protective Association in Sacramento, California.

Returning to government after the election of President Reagan, Hulett served the Department of the Interior as Assistant to the Secretary and Director of Congressional and Legislative Affairs. Hulett returned to California to serve as field representative for the Interior Department and later for the Secretary of Energy.

Hulett is married to the former Mary Ann Minenna of San Francisco. He is a member of the Executive and Electricity Committees of the National Association of Regulatory Utility Commissioners, the Electric Power Research Institute Advisory Council, and the Harvard Utility Forum and Harvard Gas Forum.

FREDERICK R. DUDA

Commissioner

Frederick R. Duda was appointed to the Commission by Governor Deukmejian on November 27, 1984 to fill the unexpired term of former PUC President Leonard M. Grimes, Jr.

Commissioner Duda was born in Chicago, Illinois. His education at the University of Illinois at Champagne was interrupted by the Korean War, in which he served with the 679th Topographic Engineering Company. After his honorable discharge from the U.S. Army, he returned to college. He received his B.S. Degree in Management at the University's School of Commerce. At Illinois, Commissioner Duda was on the President's Scholastic Honor Roll and was a member of the University's Scholastic Honor Society.

He worked as a manager for Montgomery Ward & Co. from 1951 to 1954. From 1954 to 1959 he was a marketing executive for the Shell Oil Co.

He attended the University of San Francisco Law School and received his JD Degree in 1959. In private law practice over a 27-year period Commissioner Duda's legal career included a variety of specialized legal work: criminal law, negligence, warranty, product liability, and maritime and admiralty matters. He served as General Counsel for Local 192 of the Amalgamated Transit Union, AFL-CIO, which represents 2,000 AC Transit workers. He has served as Judge Pro Tem in the Hayward-San Leandro Judicial District Municipal Court and as an arbitrator for the American Arbitration Association and Superior Court of Contra Costa County.

In East Bay communities Commissioner Duda has served on the Board of Directors for Children's Hospital Foundation, the Fred Finch Youth Center, United Bay Area Crusade (Board of Trustees), Oakland Symphony Orchestra Association and as President of various clubs including Kiwanis Club of Lake Merritt and the Lake Merritt Breakfast Club. He also served as lieutenant governor of Division Two of the Cal-Nev-Ha District of Kiwanis International.

In addition, he founded and was chairman and coordinator of an Oakland drug abuse prevention and education program for elementary and high school students. He has also served as Director of the Alameda-Contra Costa Committee for Employment of the Handicapped. He won the Kiwanis Club "Man of the Year" award in 1967.

He is presently a member of the Commonwealth Club of California. He is Of Counsel to the law firm of Duda, Rahim and Ratto, a Professional Corporation and continues to serve as President and trustee of Frederick R. Duda Professional Corporation and its Retirement Trust.

He has been an active member of the National Association of Regulatory Utility Commissioners (NARUC) of Washington, D.C. since December 1984. There he serves as a member of the Natural Gas Committee and several of its subcommittees. He is also an active member of the Gas Research Institute (GRI) Advisory Council of Chicago, Illinois.

In May 1989 he was appointed Chairman of the California Institute for Energy Efficiency (CIEE), an energy-efficiency research department of the Lawrence Berkeley Laboratory, University of California. CIEE was organized to coordinate long-range end-use energy research for California utilities, both municipal and private investor-owned.

He is a general partner of the Allen-Duda Real Estate Investment and operating partnership of Orinda, California. He is married to Barbara Benjamin Duda, his wife of 37 years. They have two married sons, Russell Elliott Duda of Oakland, California and William Eric Duda of Atlanta, Georgia.

JOHN B. OHANIAN

Commissioner

John B. Ohanian was appointed to the Public Utilities Commission by Governor George Deukmejian on March 5, 1987. His term of office will be for six years.

Commissioner Ohanian was born in Alexandrette, Turkey, on August 29, 1937. He was raised in Beirut, Lebanon. He came to the United States for his college education. He attended the California State University in Fresno from 1959 to 1963. From 1963 to 1965 he attended the Northrop University in Los Angeles, where he received his Bachelor of Science Degree in Mechanical Engineering.

Upon graduating, Commissioner Ohanian was employed by the Teledyne Corporation as a research and development engineer. From 1966 to 1969 he was employed by the State of California Water Resources Department as a mechanical engineer. There he designed portions of the California aqueduct system and its respective pumping plants.

From 1969 to 1983 Commissioner Ohanian was employed by the California Public Utilities Commission in the Transportation Division. He served as an expert witness in numerous commission proceedings.

In 1983, Commissioner Ohanian was appointed by Governor Deukmejian to his Office of Planning and Research as the Chief Deputy Director and as Director of the Office of Permit Assistance.

Commissioner Ohanian resides in Fresno with his wife Eileen, his daughter Nicole, and his son Shant.

PATRICIA M. ECKERT

Commissioner

Patricia M. Eckert, appointed by Governor Deukmejian in March, 1989, is the first Commissioner from Southern California in fifteen years.

She graduated cum laude with a degree in business from Parsons College in Iowa and obtained her Juris Doctor degree from California's Loyola University School of Law.

Prior to entering the private practice of law, Commissioner Eckert had fourteen years' experience as a business and marketing executive in two of the top 21 of the Fortune 500 corporations: Procter and Gamble, and The Dow Chemical Company and its subsidiary Bio-Science Laboratories. At Procter and Gamble, she directed consumer research studies in the company's nationwide effort to understand the needs and wants of the consumer. Her work at Bio-Science included editing and publishing numerous technical handbooks and educational treatises including Safety in the Clinical Laboratory.

In 1982, Commissioner Eckert established the law firm of Eckert & Colman in Beverly Hills specializing in business law, real estate and estate planning. Her legal experience expanded to include extensive work in Federal litigation involving United States defense contracting matters and state hazardous waste cases. She is a member of the State Bar of California and the Los Angeles and Beverly Hills Bar Associations.

Commissioner Eckert has served on the State Bar of California's Commission on Judicial Nominees Evaluation and as a volunteer for the State Bar Committee on Attorney Discipline. In 1987, she was a gubernatorial appointee to the seven-member Dispute Resolution Advisory Council (DRAC) which promulgated guidelines and regulations to develop alternatives to the court system through mediation and arbitration.

Her community service includes volunteer work for the Richstone Center in Hawthorne which ministers to the needs of abused families. She served on the Center's Board of Directors in 1986 and 1987.

DONALD VIAL

Commissioner

Commissioner Donald Vial was appointed to the PUC on December 21, 1982 by Governor Edmund G. Brown, Jr. to a six year term which ended on January 1, 1989.

Prior to his PUC appointment, Commissioner Vial served for 8 years as Director of Industrial Relations for the State of California, and member of the Governor's Cabinet.

Following military service in Europe during WWII, he returned to California to complete his education at the University of California, Berkeley. He received a BA degree in Political Science and a Masters degree in Economics.

Commissioner Vial held various positions, ranging from Labor Economist to Director of Research & Education in the 13 years he was employed with the California Labor Federation, AFL-CIO, and its predecessor, the California State Federation of Labor, AFL.

In 1964 he combined the fields of education and labor to become chairman of the Center for Labor Research and Education at the Institute of Industrial Relations on the Berkeley campus of the University of California, where he remained until 1975.

Commissioner Vial has enjoyed several gubernatorial and legislative appointments in the past, such as, chairperson of the Program Advisory Committee to the California State Office of Consumer Counsel. 1963-66; member of the Hospital and Related Facilities Planning Committee, 1965-67, and member of the Advisory Council on Public Employee Relations, 1972-73.

He has served on numerous Boards of Directors; the Industrial Relations Research Association, the Consumer Research Foundation, KQED, ACLU of No. California, and California Association of Consumers.

Commissioner Vial resides with his family in San Rafael.

TELECOMMUNICATIONS

EXPLORING ALTERNATE REGULATORY FRAMEWORKS

The Commission's investigation into whether and how it should change the way it regulates local phone companies (I.87-11-033) continued. At issue is whether the current cost-of-service regulation is appropriate given the new mixed monopoly/ competitive marketplace. However, any change to the current form of regulation will have to be consistent with the Commission's goals of: universal service, economic efficiency, full utilization of the network, avoidance of cross-subsidy, encouragement of technological advance, financial and rate stability, and low-cost, efficient regulation.

In September 1988, the Commission concluded Phase I of this investigation (D.88-09-059) and laid the foundation for increased competition between long distance and local phone companies by adopting a settlement proposed by the parties including the PUC's Division of Ratepayer Advocates (DRA), and local and long-distance phone companies. As a result, local phone companies have downward pricing flexibility for Centrex and vertical services (call waiting, call forwarding, three-way calling, call hold and call pick-up). Pacific Bell and Continental Telephone Company of California (Contel) have taken the first steps toward establishing flexible pricing tariffs for Centrex and custom calling services.

In addition, intraLATA (within each of the ten local phone service areas) high-speed digital private line service is now open to competition, with the expectation by the Commission that competition will produce significantly lower rates for this service. High-speed digital private line service (1.544 megabits per second or above) is commonly used by businesses and government agencies with 500 or more employees and several business locations to transmit data at high speed between computers at the various locations.

Now, firms including MCI Telecommunications Corporation, AT&T-C, U.S. Sprint Services, Inc., Cable and Wireless Management Services, Inc., Bay Area Transport, and Wang Communications, Inc., will compete with local phone companies in providing high-speed digital private line service within the state's ten local phone service areas.

California's ten local phone service areas

Phase II of this investigation considers the overall regulatory framework for local phone companies. During the 13 weeks of hearings held between November 1988 and March 1989, these issues were considered:

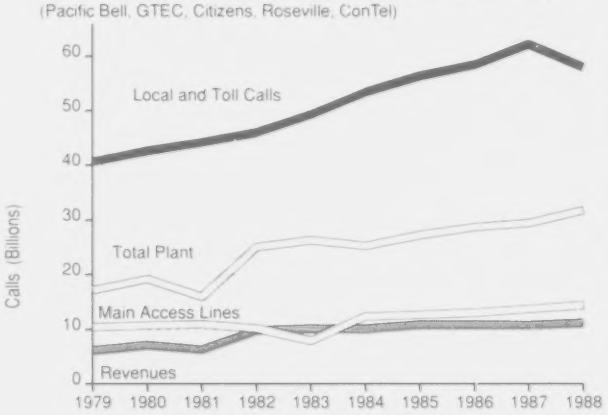
- Should rates be capped for one or more services?
- Should there be an indexing mechanism to change rates instead of general rate cases?
- Should the local phone companies be allowed to keep some profits above a rate-of-return "benchmark" as an incentive for efficient operations?
- Should local phone companies be required to set up a separate profit center for new and competitive services?
- How should the Commission monitor local phone company service quality and investments?

A decision of Phase II is expected in the fall of 1989.

Phase III, expected to begin during the second half of 1989, will consider whether toll competition should be allowed within the local phone service areas as well as issues pertaining to small local phone companies.

GROWTH OF LARGE TELEPHONE UTILITIES

(Pacific Bell, GTEC, Citizens, Roseville, ConTel)



REGULATORY FLEXIBILITY FOR AT&T-C

In a cautious first step away from monopoly-type regulation, the Commission gave AT&T Communications of California, Inc. (AT&T-C) limited pricing flexibility (D.88-12-091). This allows AT&T-C to price most of its services within a rate band around reference rates established in the 1986 general rate case and adjusted to reflect recent reductions in AT&T-C's cost of connecting to local telephone companies' networks. AT&T-C may adjust rates for its various services up or down within rate bands of up to 15 percent from the reference rates; however, AT&T-C may adjust rates no more than four times a year.

The PUC will maintain its current regulatory authority over AT&T-C and has left the investigation (OII.85-11-013) which led to this decision open in order to closely monitor the impacts of AT&T-C's regulatory flexibility. Future decisions by the Commission to continue, expand, or rescind this regulatory flexibility will be based on its assessment of whether this limited flexibility benefits or harms consumers or AT&T-C's competitors.

This decision also established a framework for streamlining the processing of future applications by AT&T-C to offer new services.

Pay Phone Problems Investigated

In May 1989, a settlement which addressed all of the major issues raised in the PUC's pay phone investigation was proposed by AT&T-C, the California Payphone Association, ComSystems, Consumer Action, Continental Telephone, the PUC's Division of Ratepayer Advocates, GTE-C, and Pacific Bell.

The investigation was prompted by complaints from consumers who were confused by varying charges and quality of operator service when they used privately-owned pay telephones (pay phones not operated by the local telephone company).

The proposed settlement would: set uniform standards for all pay phones; provide non-utility providers of pay phone service with network services previously available only to local phone companies' pay phone operations; identify and separate, for accounting purposes, the local phone companies' competitive pay phone activity from "public policy" set placement, operation and maintenance activity; and establish a procedure to ensure that local phone companies do not cross-subsidize their competitive pay phone activities with monopoly revenues.

Comments to the proposed settlement are due in July 1989 and the proposal is expected to be considered by the Commission in the fall of 1989.

Operator Service Providers

Operator Service Providers (OSP), also known as Alternate Operator Services (AOS), contract with hotels, hospitals, universities, prisons, and other businesses which tend to have a high volume of in-state long distance calling which requires operator assistance, including use of calling-cards and credit cards. OSPs are a competitive alternative to traditional telephone company operators.

Over the past two years, the PUC received many complaints from customers, generally those who made calls from pay phones or hotels, who believed that they had been overcharged (compared to what the major phone company's charge for the call would have been). During 1988-89, the Commission vigorously enforced existing price limits on such calls, leading to a sharp reduction in both the number of complaints received and the typical overcharge at issue in each case.

The settlement proposed in the pay phone investigation formally addresses problems associated with Operator Service Providers that serve pay phones. The settlement would set rate caps for all types of in-state calls originating from pay phones. Local phone companies, which do the billing for OSPs, would scan OSP billing information for overcharges and refuse to bill for overcharged calls. The settlement also proposes varying degrees of operator service competition within GTE-C's and Contel's service areas on a trial basis; after workshops to establish a regulatory structure to accommodate that competition, it would also be introduced in Pacific Bell's service areas.

Should Cellular Regulation Be Changed?

The popularity and demand for cellular telephones in California has led to unprecedented growth in the cellular industry in this state. California cellular subscribers now constitute twenty percent of the national cellular market.

Prompted in part by concerns about the apparent lack of competitive pricing, in November 1988, the Commission initiated an investigation into whether and how the regulatory framework the PUC established for this industry in 1983 should be changed given the growth and development of the cellular industry; and how the industry ought to be regulated to best protect consumers and ensure rapid deployment of new technologies.

The first phase of this two-phase investigation (I.88-11-040) reviewed: the future of cellular radiotelephone service; the PUC's regulatory goals and framework; service quality and consumer issues; and ratemaking and regulatory issues specific to this industry.

During Phase I, the DRA reported that, in general, there was inadequate price competition in the cellular industry and there was the possibility of cross-subsidization occurring between the wholesale and retail operations of the facility-based providers. DRA also found strong demand for this service and concluded that the industry's growth in the future will not be constrained by capacity problems.

Phase II of this investigation is continuing and focuses on: recommendations for the appropriate form of regulating the cellular industry; interconnection arrangements between cellular carriers and local phone company networks; and the carriers' retail operations and independent resellers. Evidentiary hearings of some of the issues raised

may be held later in 1989. A Commission decision addressing DRA's recommendations along with those of other parties is expected at the end of 1989.

In May of 1989, the Commission approved the first cellular rate increase for two cellular radiotelephone utilities, Sacramento Cellular Telephone Company and Stockton Cellular Telephone Company. The Commission granted the rate increases in part because the rates of these two cellular companies had been the lowest in the state and the utilities had shown that without rate increases they would continue to sustain losses.

Regulating 976 and 900 Information Services

Residential phone customers have been able to block access from their phones to 976 information services since 1987. In February 1989, the Commission ordered local phone companies offering 976 service to also offer businesses the option of blocking those services.

In March 1989, the Commission approved Pacific Bell's California 900 Information Calling Service (D.89-03-061) which is expected to be offered to consumers by mid-1989.

This 900 service is designed to prevent the types of problems which previously arose with 976 services by establishing three different categories of information service: phone numbers with a 900 area code and prefix of 505 (900-505-XXXX) indicate a group conversation or "chat line"; those with a 900 area code and 844 prefix (900-844-XXXX) are reserved for recorded services such as sports, weather, health, stock, horoscope, lottery and other information intended for general audiences; and phone numbers with a 900 area code and 303 prefix (900-303-XXXX) indicate an adult service containing sexually-explicit material that would be harmful to children, that is, "harmful matter" as defined by the state Penal Code. Phone customers will be able to block any one or all three of the 900 categories.

An introductory message must precede each 900 offering to advise the caller of the price of the call and allow the caller a reasonable amount of time to hang up and not be charged for the call.

To assist customers in monitoring use of their phones, the phone company will alert customers if their charges for 900 or 976 service exceed $75 for the first time in one month to ensure that customers know about and approve of the charges. If such charges reach $150, the phone company will block further 900 or 976 calls until the customer specifically authorizes them. A customer whose phone is used without his or her knowledge and approval to access 900 information services can ask the phone company to make a one-time adjustment for charges for those calls.

Proposed ZUM Expansion

In D.88-07-022, the Commission ordered Pacific Bell, GTE-C and Contel to provide a plan to implement Zone Usage Measurement (ZUM) service in certain areas of Southern California. Public hearings on this matter are expected to begin in the fall of 1989.

The ZUM plan was established ten years ago by the PUC in the San Francisco-East Bay-San Jose metropolitan area and the Los Angeles metropolitan area. The purpose was to establish a unified measured calling plan for business and residential phone customers.

In the ZUM plan, Zone 1 calls (0-8 mile radius) are considered and charged as local calls. Zone 2 calls (9-12 miles radius) and Zone 3 calls (13-16 miles) cover specified routes and are charged by the minute. The cost of a Zone 2 or 3 call is about 50 percent less than the cost of a toll call of the same distance, time of day, and minutes long.

GENERAL RATE CASES

Pacific Bell

In July 1988, the Commission issued its third ruling in Pacific Bell's (Pacific) general rate case. D.88-07-022 ordered Pacific to restructure its rates so that they are more in line with its actual costs of providing service. As a result, the prices of toll calls within Pacific's ten service areas, including local tolls in the urban areas in which ZUM rates are available, were decreased by $61 million; the monthly rate for basic flat rate service was increased by 10 cents from the current level of $8.25 to $8.35. California's basic rate continues to be among the nation's lowest.

Pacific was scheduled to file an application for a general rate case in January of 1989 to determine rates for 1990, however, because of the PUC's ongoing investigation into alternative regulatory frameworks for local phone companies (I.87-11-033), the Commission waived this requirement.

Pacific Bell - Phase III

Phase III of Pacific's general rate case focuses on issues related to the modernization of Pacific's network. During Phase I, the DRA had noted that a substantial part of Pacific's capital budget was allocated to modernization and, based on its review of some of the projects, DRA questioned the cost-effectiveness of the modernization program.

DRA then contracted with a consultant to conduct an independent evaluation of more of Pacific's modernization projects to assess the decision-making process associated with those investments; Phase III was established to provide

time for this evaluation. Based on the consultant's report, in July of 1988, DRA proposed: recommendations for Pacific to adopt to improve its management of modernization and other investment programs; a $700 million penalty for previous inadequate decision-making practices; and a continuing penalty of $130 million each year until Pacific demonstrated that it had corrected those practices.

Pacific disputed the findings of DRA because its independent consultant concluded, after evaluating the projects, that Pacific had effectively managed its modernization activities.

To facilitate resolution of this matter without the cost and time required by a formal adversarial proceeding, in March 1989, Pacific and DRA proposed a settlement which would require Pacific to reduce future rates by $36 million each year for four years and to contract with SRI to implement changes in its investment decision-making practices which would be in the best interests of ratepayers. DRA would monitor Pacific's progress in implementing SRI's recommendations.

The Center for Public Interest Law and the consumer organization Toward Utility Rate Normalization formally opposed the proposed settlement and requested a public hearing of the issues. The matter is pending before a PUC administrative law judge.

Phase III of the general rate case also looks at the strategic alliances, joint ventures, and research and development activities of Pacific Bell and its affiliates in order:

- to review and monitor the increasing resources that public telephone companies devote to research and development due to the growth of new services, increased competition, and rapidly changing technology; and
- to examine the expanding use by Pacific Telesis of flexible business partnerships with third parties to provide both regulated and unregulated services through joint ventures and strategic alliances.

This audit should yield information that will be invaluable in future reviews of other energy and telephone utilities, and enable the PUC to protect ratepayers at the same time that it encourages technological innovation, new services, and greater efficiency on the parts of regulated utilities.

GTE California

In August 1988, the Commission issued its final decision (D.88-08-061) in the GTE California (GTE-C) general rate case and required GTE-C to reduce its revenue requirement (the income needed to operate) by $218.1 million in addition to the $112.2 million it had required in an earlier interim decision in the case, for a total reduction of $330.3 million. The reduction was passed through to GTE-C customers in the form of a 13 percent bill credit.

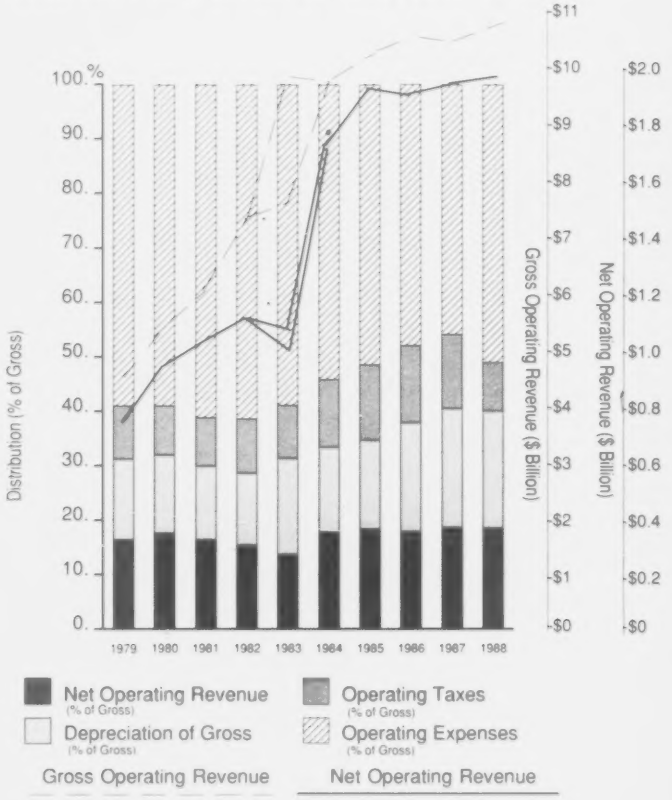
AT&T-C

Of the issues remaining to be settled in the AT&T-C general rate case for 1986, several were resolved by the Commission this year. In June 1988, the Commission ordered AT&T-C to: reduce its rates for long distance service within the state by $168 million to reflect the drop in its costs to connect to the local phone network; reduce its revenue requirement by $4.4 million; and to refund $110 million of an overcollection of rates to ratepayers on a one-time basis through a customer credit of 17 percent on bills from July 1, 1988 - January 1, 1989 (D.38-06-036).

AT&T-C had refunded about 45 percent of the $110 million when the Commission stayed the refund in August 1988 pending a limited rehearing on whether a method other than the six-month prospective credit should be used to return the money. In December, the Commission ordered the

DISTRIBUTION OF REVENUES AND EXPENSES LARGE TELEPHONE UTILITIES
(Pacific Bell, GTEC, Citizens, Roseville, ConTel)

Note: Pre-1983 revenues are for intrastate service only; Post-1983 revenues are on a total company basis. Both values are shown for 1983.



remaining amount to be distributed through a one-time credit applied to each switched service in proportion to the cost savings for that service for AT&T-C customers calling long distance within California during January 1989 (D.88-12-089).

Also in December 1988, the Commission authorized a 9 percent cut in rates on long distance calls within the state; the decrease was applied proportionally to preserve the link between rates and costs of providing particular services.

ATTRITION PROCEEDINGS

Attrition proceedings are used to adjust the revenue requirements and rates of telecommunications utilities in the years between general rate cases. Currently, general rate cases are scheduled every three years.

There are two components to attrition filings: operational attrition - changes in the everyday costs of doing business, and financial attrition - changes in the cost of financing a business. Pacific Bell and GTE-C made attrition filings for 1989 in 1988. The Commission ordered (D.88-12-092) a general reduction in Pacific's revenue requirement of $289 million and a reduction of $31 million in GTE-C's revenue requirement. These totals included both operational and financial attrition. These decreases in the companies' revenue requirements due to attrition were in addition to other reductions required by other Commission orders. The reductions will be passed on to customers through credits on their bills.

The Commission historically has required attrition filings only from Pacific Bell and GTE-C, but in November 1988, for the first time, the Commission required the three mid-size telephone companies - Roseville, Contel, and Citizens - also to make attrition filings for 1989 (D.88-11-88).

Plant Utilization Study

When the PUC was confronted in Pacific Bell's 1986 general rate case with the issue of utilization of telephone plant for the second time in two consecutive Pacific rate proceedings, it decided (D.87-12-067) to have the DRA select a consulting firm and make a generic utilization study designed to: recommend work procedures and computer procedures which would optimize utilization and reduce costs; and recommend data reporting procedures that would enhance the PUC's monitoring abilities. This generic utilization study is expected to be completed by late 1989 and will apply to the five largest California local phone companies, including Pacific Bell.

Utilization refers to the ratio of plant used per plant available for use. Expressed as a percentage, plant or equipment would be fully utilized if it reached a 100 percent level. However, a 100 percent utilization level would theoretically eliminate a utility's operating and maintenance flexibility and create a potential risk of impaired quality or availability of service. An inefficient use of plant is indicated by a drop in utilization levels below an optimum range.

The generic utilization study will develop mathematical relationships and two computer models, one for central office equipment utilization and one for outside plant copper feeder distribution utilization, that can be used to indicate a utility's appropriate system-wide central office equipment and outside plant utilization levels; and that will alert DRA and/or the utilities when inappropriate utilization levels of facilities may be occurring.

AT&T-C Billing

In January 1988, the Commission opened I.88-01-007 to investigate the impacts of AT&T-C's plan to bill customers directly rather than to continue its contract with local phone companies to bill for AT&T-C long distance as well as local charges.

In June 1988, the Commission issued an interim decision that established safeguards for any customers affected by AT&T-C's anticipated takeback of billing from the local exchange telephone companies, including: the requirement that all new customers receive a single bill from their local telephone company for the first three months of service; subsequently, AT&T-C could bill those customers who purchased more than a certain amount of service each month. Customers who did not like the resulting billing arrangement could switch to another long distance phone company at no cost; although a reasonable fee would be charged for additional switches.

This investigation was held open to examine, six months after AT&T-C began direct billing, the ratemaking effects of AT&T-C's direct billing.

However, AT&T-C decided to postpone its direct billing plan and, with the Commission's approval in June 1989, extended its current billing arrangement with Pacific Bell through the end of 1995. This new agreement allows AT&T-C to take back billing-related functions incrementally.

Due to increased revenues from extending its billing contract with AT&T-C, the Commission ordered Pacific to reduce its revenue requirement by $42 million effective January 1, 1990.

PUC AUDITS AFFILIATES

Since divestiture, the organizational structure of Pacific Bell has changed dramatically. Pacific Bell, the local telephone company serving most of California, is a wholly-owned subsidiary of the Pacific Telesis Group. Pacific Telesis is a holding company which also owns Nevada Bell (a local telephone company serving parts of Nevada), and

several unregulated enterprises (such as a paging company and a cellular company) which are collectively known as the PacTel Companies.

In D.87-12-067 issued in December 1987, the Commission imposed certain controls, guidelines, and reporting requirements on the Pacific Telesis Group to ensure that ratepayers are neither harmed nor benefited by activities between Pacific Bell and its unregulated affiliates. This is important because the financial arrangements between the subsidiaries of the Pacific Telesis Group can have significant effects on the revenue requirements and operations of Pacific Bell and ultimately on the rates consumers are charged for phone service.

The PUC's Division of Ratepayer Advocates and Commission Advisory and Compliance Division are monitoring Pacific's implementation of D.87-12-067 to determine that: the proper tracking and accounting systems exist for affiliate transactions; Pacific receives adequate compensation for personnel transfers and customer referrals; adequate record and document retention policies exist; and adequate guidelines exist to protect Pacific Bell's proprietary information.

GTE-C's Marketing Proposal

GTE California (GTE-C) petitioned for modification of D.84-07-108 which required GTE-C to separate its customer premises equipment (CPE) into a separate subsidiary. GTE-C requested that its subsidiary, GTEL, be allowed to continue providing regulated services at its Phone Mart stores. In addition, GTE-C requested that it be allowed to conduct a joint marketing pilot program with its banking industry customers. GTE-C would combine its network sales staff with GTEL's CPE sales staff into a single organization within GTEL. If the program with the banking industry customers were successful, GTE-C would then combine all of its major accounts network sales staff into GTEL and jointly market its network services with its subsidiary's customer premises equipment.

The DRA analyzed these requests and recommended that the Commission reject them because DRA did not believe that an unregulated company could adequately provide regulated services or that ratepayers' interests would be served by allowing the combination of GTE-C network and CPE sales staff.

The Commission is expected to rule on GTE-C's petitions for modification in late 1989.

Examining Enhanced Services and Open Network Architecture

The PUC is addressing the many complex issues related to enhanced services. Enhanced services are hybrid computer-telephone services such as those where a company adds or provides information, or uses information to create a new service such as: voice mail, public data networks, advanced alarm systems, and information services such as stock reports, videotex, teletext, and teleservices.

The Federal Communications Commission (FCC) has required local telephone companies to make available on an equal basis to all companies those monopoly telecommunications services called Basic Service Elements (BSE) which enable enhanced services to be offered over the telephone network. The regulatory policy of making these basic network services available to all is called Open Network Architecture (ONA).

The novelty of these services and the actions of the federal government have created a number of complex issues that the PUC and interested parties are working to resolve. The FCC has partially preempted the power of states to regulate enhanced services, but left them with the responsibility of pricing and regulating the BSEs. The PUC is currently challenging the preemption of its authority in federal court.

In late 1988, the Commission gave Pacific Bell interim authority to market a number of enhanced services pending resolution of the federal preemption issue.

In November of 1988, the FCC approved the ONA implementation plans of the Bell Companies. As a result, the PUC will need to make a number of decisions over the next year regarding both the regulation of BSE's and the marketing of enhanced services. A key question faced by government regulators is determining who will pay for this new technology; will it be the corporations and individuals who use the enhanced services, or the general body of telephone ratepayers? The PUC proceeding concerning regulation of enhanced services remains open.

High Cost Fund

The High Cost Fund provides financial support to small local phone companies who, as toll rates have decreased, have lost revenue. Without financial support from the Fund, phone customers in the predominately rural areas served by those companies would be faced with very high rates. A basic goal of the PUC's regulation of telephone companies historically has been to make adequate phone service at reasonable rates - universal service - available so that anyone who wishes to can have telephone service.

Long distance companies finance the fund by paying a common carrier line charge to local phone companies. This year, the Commission authorized Pacific Bell, GTE-C, and GTE Northwest to increase this charge to the long distance companies in order to yield the $12.5 million needed to underwrite the

fund for 1989 and support five smaller local telephone companies.

Lifeline Telephone Service

The Universal Lifeline Telephone Service program, the first such program in the nation, was established in 1984 to ensure that every household that wishes to can have at least basic telephone services. Eligibility for this program is according to household size and annual income: 1-2 persons - $13,000; 3 persons - $15,200; 4 persons - $18,300; 5 persons - $21,400; 6 persons - $24,500; 7 persons - $27,600; each additional household member, add $3,000.

The program which by June 1989 served 1.2 million homes, is funded by a 2.5 percent surcharge on all long distance and toll calls within California. Qualified subscribers receive: a 50 percent subsidy on the installation of a telephone; an allowance of 75 cents a month for the purchase or lease of a telephone; a 50 percent subsidy towards the basic rate; an allowance of 25 cents a month for the maintenance or repair of inside wire; an allowance of 50 percent toward the FCC end user access charge (the FCC provides a 50 percent reduction in the charge to Lifeline customers).

The 2.5 percent surcharge will remain in effect through June 30, 1990, subject to Commission review. By June 30, 1990, the program is expected to have generated a six-month reserve of $75 million. This reserve assures sufficient funds to handle any program problems or changes.

Deaf and Disabled Telecommunications Program Improvements

The Deaf and Disabled Telecommunications Equipment and Service Program enables deaf, severely hearing impaired, and disabled persons to have access to telephone service at no additional charge to their basic monthly phone rate. There are about 18,000 program participants. The program includes the California Relay Service through which an operator can connect a deaf or hearing-impaired caller using a teletypewriter (TDD) to a caller with normal hearing. An average of 260,000 calls per month are handled by the Relay Service. California's program is the first of its type in the nation, and may serve as a model for a similar federal effort.

By 1987, the program's success in attracting users plunged it into a funding crisis, and to deal with the crisis, the Commission opened OII.87-11-031.

The legislature improved program funding by enacting SB 2268 which replaced the ten cents per line surcharge used to fund the program with a one-half of one percent surcharge on all local and long distance phone service in the state. As the funding crisis eased, the Commission lowered the surcharge to one-third of one percent.

Meanwhile, the Commission's investigation continued and was expanded to identify additional funding sources and consider program modifications to limit program costs. D.89-05-060 issued in May 1989 approved most of the recommendations to restructure the program that the parties to the investigation had proposed in a settlement agreement, and ordered further hearings to study usage patterns of subscribers to the California Relay Service.

In addition, now local phone companies, instead of the PUC, will process TDD equipment requests from private non-profit organizations and schools serving the deaf and hearing-impaired community as well as provide equipment and maintenance service; the PUC will continue to process requests from other state agencies.

Marketing Oversight

The Customer Marketing Oversight Committee was established two years ago by the Commission to ensure that Pacific Bell's sales marketing practices were improved and legal. The committee was composed of representatives from the PUC, Pacific, and Pacific's customers including business, various ethnic communities, senior citizens, and residential customers. The committee completed its term in May 1989.

Practices implemented by Pacific to ensure appropriate sales marketing and reviewed by the customer committee included: itemized bills showing charges for basic and optional services; revised training and expanded ethics training for Pacific's sales representatives; and establishment of an ombudsman and the Ethics Advisory Council.

Radiotelephone (Paging) Regulation

The Commission's rulemaking (R.88-02-015) to examine its future role in regulating the radiotelephone industry is continuing. Radiotelephone utilities (RTUs) provide one-way paging and 2-way paging mobile telephone (non-cellular) service. The PUC has certificated more than 100 RTUs to do business in California. Preliminary data suggests that the industry is thriving and that the prices of services are declining.

The PUC's DRA has recommended deregulation of the industry because regulation may be hindering competition and keeping prices from falling in this apparently healthy industry. Several radiotelephone utilities have, however, expressed concerns that deregulation would adversely affect their relationship with the local telephone companies that provide them with access to customers, and they have requested hearings on the matter. A

Commission decision is expected in late 1989.

In its attempts to deter the use of pagers for drug dealing activities, Metromedia Telecommunications, Inc. appealed to the PUC to authorize it to charge a customer $1 for each call over 1,000 paging calls per month - except for paging units used by physicians or other public health or safety professionals. The PUC approved the request.

Metromedia had linked the excessive use of pagers with drug activity through its analysis of the number of calls received by each paging unit each month. The average number of pages per Metromedia subscriber is less than 350, however, in some cases, a single pager was receiving as many as 5,000 or more pages.

Computer Models

Over the past three years, the PUC has worked to comply with AB 475 which requires the PUC to monitor the development and use of computer operations models of any public utility, and to conduct studies to verify, validate, and improve the computer financial models of public utilities.

As part of this continuing analysis, the focus this year was to identify, classify, and in selected cases, investigate utility operations models. The six major telecommunications utilities reported using a total of 304 models. A Telecommunications Model Catalogue has been produced with information on model design, implementation, maintenance, and evolution and the next step will be in-depth examination and prioritization of key models.

As part of this process, the Commission has issued for public comment a proposed revised rule for computer model access.

RATES OF RETURN SET FOR 1989

The PUC authorizes rates of return for utilities based on its review of a utility's cost of capital, including analyses related to appropriate capital structures and estimates made for the costs of the individual components of debt, preferred stock and common equity. The Commission revised utilities' rates of return in December 1988:

ENERGY UTILITIES

D.85-12-076 ordered an annual review of the return on common equity for every energy utility that files an Attrition Rate Adjustment advice letter.

Energy Utilities	Return on Rate Base (%)	Return on Common Equity (%)
Southern California Edison	10.91	13.00
Pacific Gas & Electric	11.04	13.00
San Diego Gas & Electric	10.90	13.00
Sierra Pacific Power	10.48	13.15
Southern California Gas	10.96	13.00
Southwest Gas	11.94	13.00
CP National Gas	11.27	12.50

PacifiCorp, under its rate stabilization program, did not file for cost of capital review in 1989.

TELEPHONE UTILITIES

During this fiscal year every telephone company had its rate of return reviewed and revised. Because the three mid-size telephone companies - Continental Telephone of California, Citizens Utilities Company and Roseville Telephone Company - had not filed a general rate case in several years, a cost of capital review was imperative, and the Commission ordered the companies to submit financial attrition applications.

Telephone Utilities	Return on Rate Base (%)	Return on Common Equity (%)
Pacific Bell	11.34	13.00
GTE-California	11.13	13.00
Contel	10.74	13.00
Citizens	11.10	13.00
Roseville	12.02	12.80

WATER UTILITIES

Cal-Am Water Company, Cal-Water Service and SoCal Water Company each have many districts; each of these water utilities files for annual rate of return adjustments for specific districts over a three-year cycle.

Water Utilities	Return on Rate Base (%)	Return on Common Equity (%)
Santa Paula Water Works	10.18	13.00
SoCal Water	10.91	12.00
Cal-Am Water	10.82	12.25
Cal-Water Service	11.33	12.25

PUBLIC ADVISOR

The Public Advisor's offices in San Francisco and Los Angeles this year assisted thousands of consumers who requested information and advice about how to participate in PUC proceedings.

As a result of the strong interest in the Southern California Edison/San Diego Gas & Electric proposed merger (A.88-12-035), the Public Advisor's staff held workshops in San Diego, El Monte, and Santa Barbara to facilitate public understanding of and participation in this proceeding.

The Public Advisor's staff also attended public participation hearings in three other major cases before the Commission: the Pacific Gas & Electric and Southern California Gas general rate cases; and the investigation into alternative ways of regulating local telephone companies. The staff answered questions about the PUC and its various proceedings and assisted people who wanted to speak at the hearings.

The Commission continued its recently-adopted practice of holding public forums throughout the state by holding one in Fresno in October of 1988 and another in Santa Barbara in June of 1989. These meetings enabled the public to address the Commission on a wide variety of issues which included: utility services and rates, regulation and re-regulation, and the women/minority business enterprises contract program.

During 1988-89, the Public Advisor's office completed the pilot intervenor notice program, established by the Commission in May of 1987. This program was designed to encourage intervenor participation in PUC proceedings by providing a list of intervenors (organizations and individuals who formally participate in PUC proceedings to represent a specific interest) to utility customers who requested it. Over 50,000 utility customers requested this list.

The Guide for PUC Intervenors is a handbook designed to assist and encourage the public's participation in Commission proceedings. It explains how to participate, and describes the types of proceedings and what the public needs to know to participate effectively. The **Annotated Bibliography of PUC Intervenor Compensation Decisions** lists the awards the Commission has made to various consumer groups for their substantial contributions to PUC decisions. Both the **Guide** and the **Annotated Bibliography** are available without charge from the Public Advisor's offices in San Francisco and Los Angeles.

The Public Advisor's office has also been involved in the organization and operation of the Telecommunications Education Trust. The Trust was established by the Commission after it found that Pacific Bell had violated PUC rules in 1985-1986 by pressuring and misleading customers into buying unwanted or unneeded services. The PUC ordered Pacific Bell to discontinue such marketing practices, to make refunds to affected customers, and to pay $16.5 million of shareholder funds to establish the Trust. The Trust was formally established in May of 1988.

The purpose of the Trust is to fund telecommunications consumer education programs in California to help consumers make educated choices about service and equipment options in the increasingly complex and competitive telecommunications market. Each year for the next six years, the Trust plans to distribute about $3 million to qualified groups to develop and implement these educational programs.

The Trust operates under authority of the PUC and is administered by the California Community Foundation. The Trust is governed by a five-member Disbursements Committee composed of two consumer representatives, a representative from Pacific Bell, a representative from the PUC's Division of Ratepayer Advocates, and the PUC's Public Advisor. The Committee determines objectives, evaluates program proposals, and makes funding recommendations to the Commission.

ENERGY

SCE/SDG&E MERGER PROPOSED

Southern California Edison (Edison) and San Diego Gas & Electric (SDG&E) jointly filed a "bare-bones" application to merge in December 1988 and case-in-chief testimony in April 1989. If approved, the merger would create the largest privately-owned public utility in the nation.

Edison claims that merging the two companies will create greater operating efficiencies and result in lower rates for the customers of both companies over the long-term. Edison also claims the merger will produce over $1.7 billion in savings during the period from 1990 to 2000.

SDG&E's need for additional capacity would consume some of Edison's short-term excess capacity with added efficiencies from one source instead of two source dispatching operations. Theoretically, the merger would also eliminate redundant facilities near service area borders, and allow for a workforce reduction of 1100 positions through attrition and layoffs.

The proposed merger would be accomplished by a stock swap in which each share of SDG&E common stock would be converted into 1.3 shares of Edison's common stock. Preferred stock would be converted on a one-for-one basis.

Thirty multi-disciplinary DRA staff members have been assigned to investigate all impacts of the proposed merger including the effects on ratepayers' electricity bills, transmission service, and resource deferrals. A decision by the Commission is expected in late 1990.

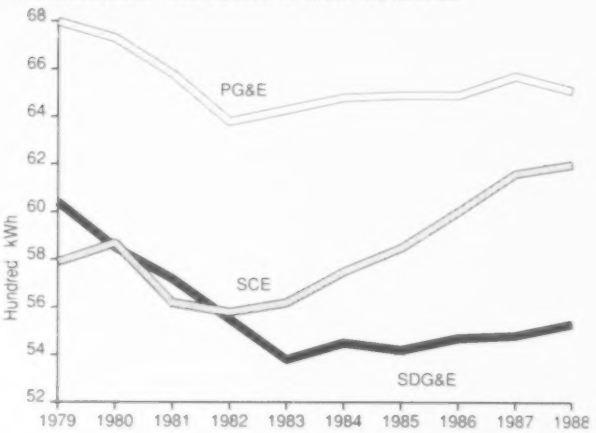
Baseline Program Changes

Under the Baseline Program, utility customers receive a baseline amount of energy at a reduced price - the baseline rate. The baseline allowance is printed on each customer's monthly bill and varies according to the climate of the area in which that customer lives, the season, and approved medical needs.

SB 987, enacted in June 1988, gave the Commission more flexibility to reduce the large difference between baseline and above-baseline rates. This difference resulted in very high bills for customers who used more than their baseline energy allowance, as many did during California's unusually cold winter last year. SB 987 also directed the PUC to implement a program to assist low-income utility customers in paying their energy bills during the restructuring of the baseline rate levels.

By November 1988, the Commission had revised energy baseline quantities in order to reduce the rate shock to customers during the transition from winter to summer baseline quantities. In

RESIDENTIAL ELECTRIC SALES PER CUSTOMER
CLIMATICALLY ADJUSTED 12 MONTHS ENDED



D.88-10-062, the Commission realigned residential baseline rates for most of the energy utilities. As a result, above-baseline rates were reduced by as much as 17 percent and baseline rates were increased from 0-10 percent. The impact this adjustment will have on each customer's bill will depend on the size of the customer's baseline allowance, how much of the baseline allowance is used, and the amount of energy the customer uses above the baseline allowance.

Baseline quantities will continue to be revised, and above-baseline rates will continue to be reduced over the next few years (D.88-10-065); the utilities' revenues will neither increase nor decrease as a result of these changes.

Hearings were held in May 1989 regarding development of a program to provide assistance to low-income utility customers. The Commission intends to act in time for a program to take effect at the beginning of the winter heating season in November 1989.

ELECTRICITY

Diablo Canyon Settlement Adopted

In December 1988, the PUC accepted a settlement agreement of the Diablo Canyon case negotiated by DRA, PG&E and the state Attorney General (D.83-12-083). The costs of Units 1 and 2 of the plant are excluded from rate base and recovered over a 28-year period under a "performance-based pricing" mechanism. Ratepayers pay only for power actually produced by the plant.

Under the performance-based pricing plan, it is estimated that the revenue PG&E will receive over the term of the agreement is equivalent to a $2 billion rate base disallowance, based on the theory that the plant will operate at the industry-wide

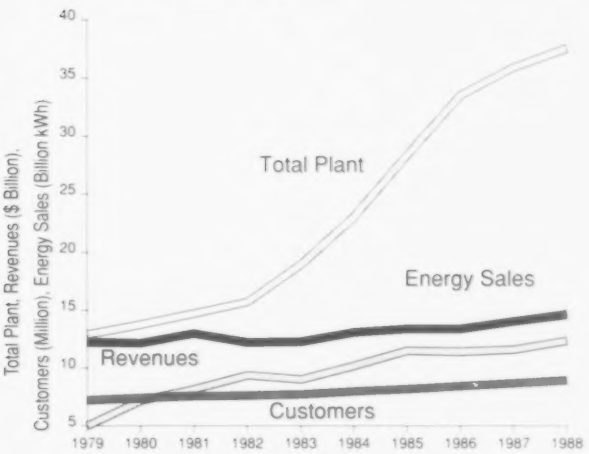
average capacity factor of 58 percent. PG&E had sought to recover over $5.5 billion in rate base.

The settlement also provides that PG&E may recover a floor payment which assures that the utility will receive revenue based on the prices set in the agreement at a 36 percent capacity factor. To the extent that the utility receives floor payments, it must repay them from 50 percent of its Diablo Canyon revenue when it operates at over 60 percent capacity.

The settlement also provides for a three-member independent safety committee, funded by ratepayers, which will review the safety of the plant's operations and make safety recommendations.

PG&E's electric and gas fuel costs amount to over half of the total in rates. In PG&E's most recent fuel cost rate change filing A.89-04-001, for rates to be effective from November 1989 through October 1990, DRA has recommended that PG&E's requested increase of $378 million be reduced to $177 million (subject to updates during the proceeding), due mainly to a substitution of cheaper purchased power for PG&E's own Diablo Canyon nuclear and gas fired generation power. Last year, the Commission granted PG&E $79 million - 61 percent of its requested $129 million for that year (D.88-12-040).

GROWTH OF LARGE ELECTRIC UTILITIES
(PG&E, SDG&E, Edison, PP&L)



3R's Proceeding Closed - New Emphasis on Conservation

Following numerous workshops to investigate Risk, Return and Ratemaking in the electric utility industry (I.86-10-001), the major parties, including the utilities, DRA, TURN, and large customer representatives reached a stipulation. This group examined a new system of ratemaking to increase risk and reward in utility service to large customers. The stipulation determined that the accounting and ratemaking complexity of such a system was so onerous it outweighed the benefits. The Commission, although agreeing with the parties, determined that several important goals had been met in this proceeding including the development of the Expedited Application Docket and the accompanying guidelines for special contracts.

Another outcome of this closure of the 3R's proceeding was a renewed emphasis and interest in energy conservation. Utilities' excess capacity has diminished over the duration of this proceeding. In addition, there has been renewed public policy emphasis on environmental problems, notably air pollution in the Los Angeles basin. Conservation can help reduce both the need for new capacity and environmental problems.

The Commission scheduled an en banc hearing for July 20, 1989 to examine the future role of utility demand-side management programs.

Demand-side Management

The Commission's July 1989 en banc meeting will review the status of demand-side management activities for electric utilities. The en banc is expected to provide the Commission with information about the recent reductions in the utilities' conservation program efforts, and whether sufficient conservation activities are occurring or whether new incentives are needed to encourage conservation and load management.

Conservation investments allow consumers to demand (or need) less electricity for a given level of energy service. Load management programs shift demand for electricity from peak periods of the day (1 p.m. - 8 p.m.) to off-peak periods (11 p.m. - 5 a.m.). Together they are known as demand-side management programs.

The 1988-89 expenditures for demand-side management, including conservation and load management, amounted to about $230 million - the same level as for 1987-88, but much less than the $418 million spent in 1986. Lower fuel costs caused demand-side management programs to be less cost-effective, resulting in lower expenditures. Only the most cost-effective programs continued.

The lower fuel costs also increased competition among energy suppliers. This caused many non-residential customers to seek alternative energy supply sources so that they could bypass utility systems. Loss of large customers to bypass would make utility systems less efficient and cause rate increases for customers remaining on the system.

Utilities assisted customers who might bypass the utility system to lower their energy costs through demand-side management. Charging by time-of-use

and designing interruptable rates also helped reduce customers' energy bills while reducing the utilities' costs of serving those customers. A bypass discount rate contract is often offered as an alternative to demand-side management programs. Utilities use these special contracts to encourage customers to stay part of the utility's system. Customers otherwise may bypass the system or switch fuels to take advantage of short term fuel price differentials.

Funding levels for demand-side management are being addressed in both PG&E's and SoCal Gas' general rate cases, with Commission decisions expected by the end of 1989.

Research, Development and Demonstration

Interim opinion D.89-06-046 seeks further comment on modifying the existing review procedures of utility research programs. The opinion also directs DRA to prepare a biennial report on the research activities of all energy utilities. This report may be useful in general rate case review of research programs.

With greater unbundling of energy services, an increasing variety of energy services in the marketplace, and increasing competition, utilities have incentives to improve their productivity. Utilities are improving efficiency and trimming costs. Utilities also have incentives to provide greater values for their service options through their investment in research, development and demonstration.

In 1988-89, utilities increased their funding to $9.6 million to cover end use research. This funding included clean fuel vehicle technologies (electric cars and low pressure natural gas cars), equipment efficiency improvements and conservation (fuel cell co-generation equipment). This new end use research may result in additional markets to help contribute to fixed costs. This new demand should occur at off-peak times, improving the utilization of utility plant. When cars fueled by natural gas or electricity replace gasoline-powered cars, Californians will gain the external benefit of improved air quality. The products of this research, therefore, will benefit both utilities and their customers.

Advanced research in gas loss containment reduced utilities' gas storage loss expenses by 178 percent in 1987-88 and another 5.4 percent in 1988-89. Similar technological improvements of electricity transmission have resulted in substantial system efficiency improvements.

Review of Resource Plans

During general rate cases, PUC staff evaluates the utilities' long-term resource plans and their impact on rates. Various areas of resource planning have important long-run implications which necessitate a funding commitment (or authorization of utility investment) in the short-run. Several examples are research, development and demonstration projects, new facilities and demand-side management projects. Long-run marginal costs have implications for short-term rate design and revenue allocation.

The DRA's review of PG&E's long-term resource plan (A. 88-12-005) found that PG&E will have no need for new resources in the immediate future. There are still concerns, however, regarding the reliability of some of the resources included in the plan. PG&E's FERC license for its hydro resources is up for renewal and that, for instance, puts those resources at risk.

Electricity Needs and Supply

The PUC's Biennial Resource Plan Update proceeding currently in progress is the forum for examining California's electricity needs and the supply plans of California's three major electric utilities. The proceeding quantifies the megawatts needed by the utilities based on their long-term least-cost resource plans.

If electricity needs that can be provided by QFs (cogeneration facilities or small power producers which are qualifying facilities under FERC regulations) are identified for one or more of the utilities, Phase I of the proceeding will conclude during the first quarter of 1990 with an auction in which QFs will bid for energy and capacity purchase agreements.

This proceeding is also the forum for considering prospective refinements of several procedures including: the standard offers for the purchase of energy and capacity; the changes in forecasting avoided costs and valuing capacity; the

AVERAGE MONTHLY RESIDENTIAL ELECTRIC BILL (500 kWh/MONTH)
(PG&E, SDG&E, Edison, PP&L)

pricing and effectiveness of utility conservation programs; and the value of particular performance and non-performance features of QF resources. A final Commission decision is expected by mid-1990.

Promoting Competition in the Electric Industry

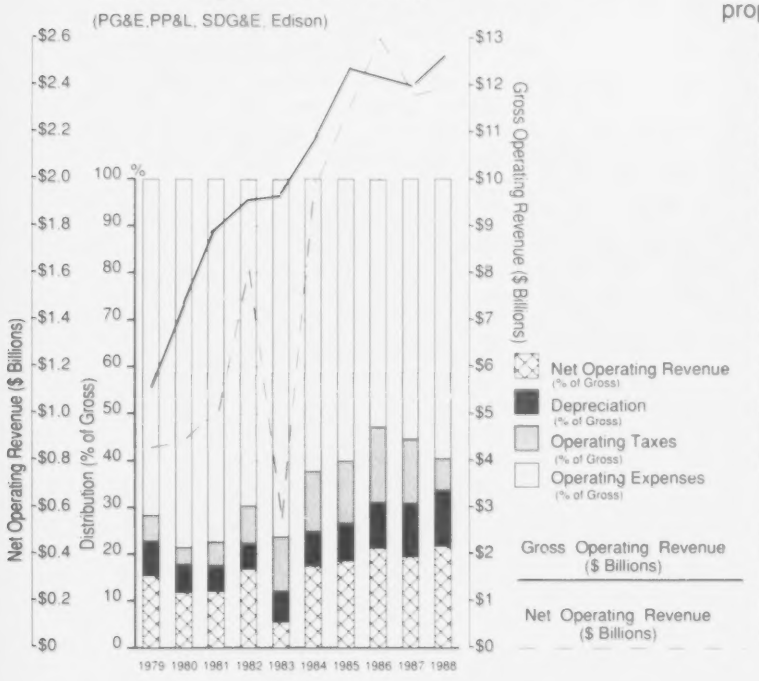
With the steady improvement of small-scale generation technology, self-generation has become a viable competitive alternative to utility service. While this competition can result in long-run benefits, it can also result in short-run rate increases. Customers who continue to take service from a utility must bear the cost of excess capacity when large customers bypass the utility's system.

The Commission has actively implemented changes in revenue allocation and rate design to discourage uneconomic bypass. Uneconomic bypass occurs when a customer generates or purchases electricity at a cost higher than the utility's marginal cost of service, but lower than the utility's current rates.

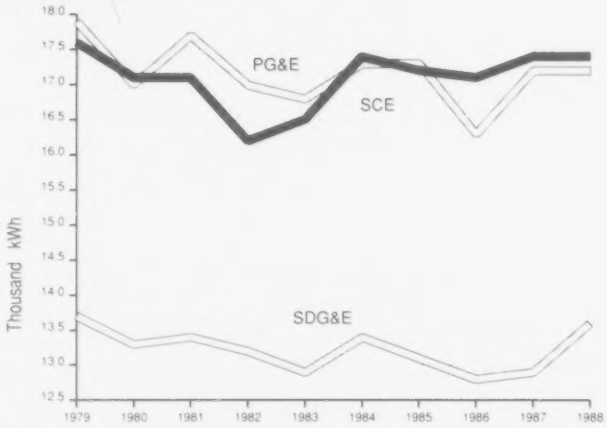
Revenue allocation has been modified to more closely match the marginal cost of serving customers. Some customers have self-generation alternatives which cost less than utilities' rates but more than the utilities' marginal costs. To assist utilities in keeping these customers, the Commission has established guidelines for negotiated contracts and an expedited contract approval process.

DISTRIBUTION OF REVENUES AND EXPENSES LARGE ELECTRIC UTILITIES

(PG&E,PP&L, SDG&E, Edison)


Net Operating Revenue ($ Billions)
Distribution (% of Gross)
Gross Operating Revenue ($ Billions)
%
Net Operating Revenue (% of Gross)
Depreciation (% of Gross)
Operating Taxes (% of Gross)
Operating Expenses (% of Gross)
Gross Operating Revenue ($ Billions)
Net Operating Revenue ($ Billions)
1979 1980 1981 1982 1983 1984 1985 1986 1987 1988

MAJOR ELECTRIC UTILITIES AVERAGE ELECTRICITY SALES PER CUSTOMER RECORDED



Electric Revenue Allocation

To make utility-generated electricity competitive with customer self-generation, the PUC has adopted a policy which more closely reflects the pricing of a competitive market. In competition, prices will tend toward marginal cost, the cost of producing the last unit of electricity. The PUC's policy allocates revenue responsibilities by customer class - closer to each group's marginal cost.

The PUC is phasing in an electric revenue allocation policy called "equal percentage of marginal cost" (EPMC). EPMC sets a class' contribution to a utility's revenue requirement proportional to the costs it imposes on the utility at the margin. SDG&E revenue allocation reached full EPMC this year, and many of the customer classes of PG&E have also reached full EPMC-based allocations. Edison has made substantial progress toward full EPMC revenue allocation, which the Commission aims to complete by the utility's next general rate case decision.

The EPMC methodology has also been refined to reflect not only marginal generation and transmission costs, but also the marginal cost of hooking new customers onto the utility distribution system. Hookup costs are the costs of installing meters and transformers, and significant economies of scale exist in installing this equipment for larger customers who are more likely to self-generate.

More attention has also been given to how distribution costs that are not customer-specific are allocated. The accuracy of the revenue allocation methodology has been enhanced by allocating common distribution costs taking into account the timing of customers' peak demands.

Special Contracts

Special contracts are another means used to prevent uneconomic bypass. Special contracts consist of rates negotiated for customers who might continue to find bypass economically attractive even though the utility's marginal cost of serving that customer is lower than the customer's cost of self-generation.

The Commission has approved several special contracts between the utilities and their customers. During the past year, the Commission approved two PG&E special contracts; the Commission also has approved one Edison contract with Dow Chemical.

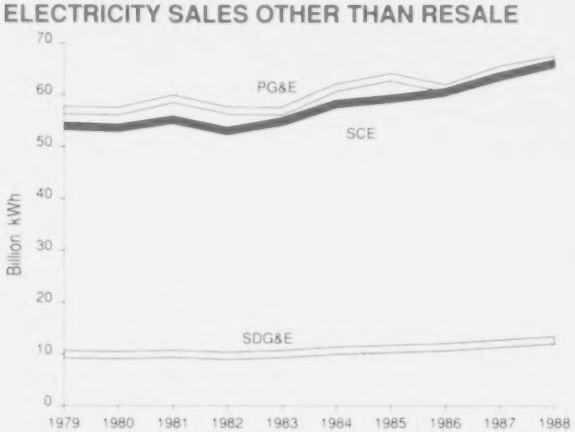
SDG&E sought approval for a special contract to serve the U.S. Navy and forestall the Navy's bypass of 80MW of load equivalent to 18 percent of SDG&E's industrial demand. Because of the complexity of the deal, and the proposed length of the contract term (potentially 20 years), full evidentiary hearings were held. A Commission decision is pending.

Edison, building upon its experience with incremental sales contracts, obtained Commission approval for an incremental sales tariff. This tariff will allow qualifying customers to buy electricity at a discount during peak use periods. At least two Edison customers have qualified for the discount. This tariff will produce additional revenues from customers who have either reduced or eliminated their purchase of electricity during high cost peak periods. Under the rigorous rules proposed by Edison and approved by the Commission, other ratepayers, Edison, and the individual customer all will benefit from this arrangement.

ECACs

The Energy Cost Adjustment Clause (ECAC) is a procedure an electric utility uses to adjust its rates between general rate cases to offset changes in the cost of fuel or the costs of major plant additions. These proceedings are also used to lower rates because of lower inflation, lower fuel costs, or lower financing costs.

MAJOR ELECTRIC UTILITIES RECORDED ELECTRICITY SALES OTHER THAN RESALE



Edison

In May 1988, Southern California Edison was authorized a $200 million rate increase; and another $471 million increase was authorized in September. The September decision adopted a move towards full Equal Percent Marginal Cost (EPMC) by allocating rates on a 1/3 EPMC and a 2/3 System Average Percent Cost (SAPC) with a 2.5 percent cap for any change.

As a result of Edison's "trigger" filing (a six-month optional filing to adjust rates if costs have changed), the Commission authorized the $200 million increase in rates beginning July 1, 1989. This increase will avert rate shock to customers which could occur if this increase were to take effect in January 1990 when attrition and other increases might be necessary.

The main issues in Edison's ECAC proceedings (as well as in other ECAC's) are:

- Selecting the model which will establish the incremental energy rate for use in payments to QFs.
- Forecasting the proper natural gas and oil prices.
- Forecasting the availability of economy energy for purchase by the utility.
- Determining the reasonableness of purchased power contracts signed by the utility.
- Determining the reasonableness of QF contracts especially if non-standard.

Hearings are to begin in August 1989.

Edison's Contracts with QFs

The annual review of Edison's 1988-89 ECAC included investigation into the reasonableness of the utility's nonstandard power purchase contracts with over 50 cogenerators and small power producers. During the 1988 record period, Edison's power purchase contract payments, to a total of 262 QFs, totaled over $1 billion. Ten of the 262 QFs are Edison affiliates and they received over $460 million in payments during the record period.

DRA has recommended that the Commission deny Edison recovery of $135 million of its payments under those contracts during the 1985, 1986, and 1987 record periods, $52 million of which were payments to the Kern River Cogeneration Company (Kern River) - a QF which is owned by

Mission Energy Company, a unit of Edison's holding company which is not regulated by the PUC. Hearings are ongoing with respect to the reasonableness of the payment terms of its nonstandard contract with Edison.

A Commission ruling on the Kern River payments and the remaining nonstandard power purchase contracts reviewed in the 1985-87 record periods is expected in 1990. The Commission's decision will have an effect on the future payments over the life terms of these contracts, which amount to many billions of dollars.

SDG&E

SDG&E was ordered to reduce its rates by $27.1 million as a result of its 1988 ECAC filing.

Computer Models

Just as it is doing with telecommunications utilities, the PUC is complying with AB 475 and verifying, validating, and improving computer production cost models used in energy proceedings. This "rolling review" approach to evaluating computer models has been used in all of the 1988-89 ECAC cases as well as PG&E's general rate case. This approach is a major shift away from the "pre-certification" of models previously required. The electric and gas utilities have reported using 416 computer operations models. These models play an important role in utility operation, planning, and investment decisions.

Reasonableness Reviews

Reasonableness reviews were conducted for Southern California Edison Company's Balsam Meadows Hydroelectric Project and Devers-Valley-Serrano Transmission Line Project. These projects were removed from Edison's test year 1988 general rate case and analyzed in separate proceedings because Section 463 of the Public Utilities Code mandates a reasonableness review for all projects costing more than $50 million.

After investigating the costs and operation of these two projects, DRA determined that they were necessary and generally completed in a reasonable time frame and at reasonable costs. In the spring of 1989, the Commission authorized Edison to recover the costs of both projects.

Devers-Palo Verde #2

The Commission, in December 1988, conditionally approved a certificate of public convenience and necessity (CPCN) to build the Devers-Palo Verde #2 Transmission Line. DRA and Edison did a joint study of the Southern California Edison application to resolve significant issues raised during hearings for this CPCN. The study recalculated known benefits (economy energy, transmission service revenues), revealed new benefits (lower line losses, reduced QF payments), and quantified previously unquantified benefits (reduced air pollution, improved system stability, increased interconnection support).

However, if the Edison-SDG&E merger is still an active possibility as of January 1, 1990, construction cannot be started without further Commission authorization. Other conditions of the CPCN require Edison to enhance the short-run project benefits, to implement all of the environmental mitigation measures, and to engage in further specified studies.

The innovative methods developed during the joint study by DRA in conjunction with its consultant will enable the PUC to evaluate future transmission line projects more precisely. In addition, the consultant's development of a new computer model of Southwest energy availability and price - the Southwest Energy Resource Assessment Model (SERAM) - is now used by DRA and most of the independently-owned electric utilities in the state. The PUC owns the rights to the model but has made it available to the public.

COTP Joint Study

The initial applications filed by the state's three major investor-owned utilities (PG&E, SDG&E, and Edison) for the proposed California Oregon Transmission Project (COTP), a 500 kV transmission line from Central California to the Oregon border, were rejected by the PUC's executive director in October 1987.

The utilities appealed to the full Commission, and the Commission upheld the rejection, but ruled that only one deficiency identified by staff was, in its opinion, a reasonable basis for rejection - the definition of the project south of the Tesla Substation.

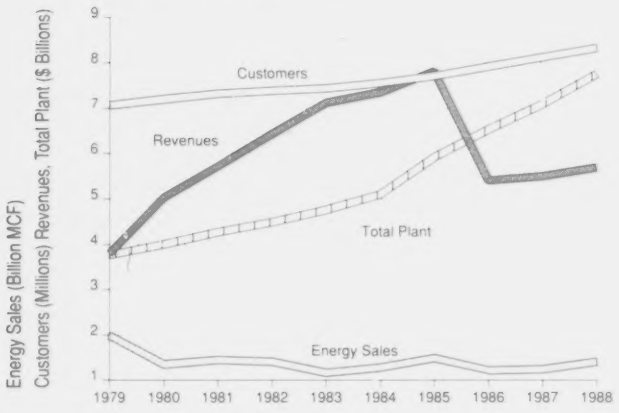
The DRA, PG&E, Edison, and SDG&E have signed a Joint Study Agreement to develop a joint set of data, analytic techniques, and methodologies for evaluating the costs and benefits of the proposed project. It is anticipated that this joint effort will lead not only to acceptable and complete certificates of public convenience and necessity applications, but also will expedite the hearing process significantly.

The first public workshop presenting and explaining the joint study process will be held July 13, 1989, and will be followed by other workshops and opportunities for the public to comment on the process. Preliminary results from the joint study will be developed by the end of 1989, with final analyses and results in early 1990. Individual applications for CPCNs on the COTP would be filed soon thereafter.

Undergrounding

The PUC continued to encourage electric

GROWTH OF LARGE GAS UTILITIES
(PG&E, SDG&E, SoCal Gas, SW Gas)



utilities to replace existing overhead electric power lines with underground facilities. Since 1967, utilities have been systematically converting their overhead electric distribution systems and some transmission lines to underground. This improves safety, reliability of service, and protects the environment.

In 1988, the three major electric utilities in the state allocated about $92 million for the conversion program and 2,200 circuit miles of overhead lines were converted to underground; about 133,900 circuit miles remain to be converted.

Vineyard 230 kV Transmission Line

PG&E applied for authority to build and operate the Vineyard 230 kV transmission line in October 1986 to serve the growing population in the Pleasanton area in Northern California. In January 1988, the Commission issued interim decision D.88-01-062 which gave PG&E authority to construct the line all underground due to significant environmental impacts, and ordered PG&E to conduct additional studies on the underground route.

PG&E completed the studies and an environmental impact report but then decided to postpone the underground 230 kV line and instead upgrade several existing 69 kV lines. PG&E is expected to file an amended application for the upgrade plan in the summer of 1989.

BPA Long Term Intertie Access Policy

In 1988, the Bonneville Power Administration (BPA), an agency of the federal government operating in the Pacific Northwest, announced a new plan governing access to the federally-owned portion of the Pacific Intertie, a series of transmission lines connecting the Pacific Northwest (PNW) with California.

Under this plan, called the Long Term Intertie Access Policy (LTIAP), the BPA has created an oligopolistic cartel among itself and various utilities in the Pacific Northwest for the sale of electrical power to California. The PUC and other parties have petitioned the United States Court of Appeals for the Ninth Circuit to review the BPA's action.

The PUC argues that the LTIAP is illegal, conflicts with BPA's responsibility to maintain competition, and results in higher rates charged to California which have the effect of subsidizing PNW electricity rates. No date has yet been set for oral argument in this case.

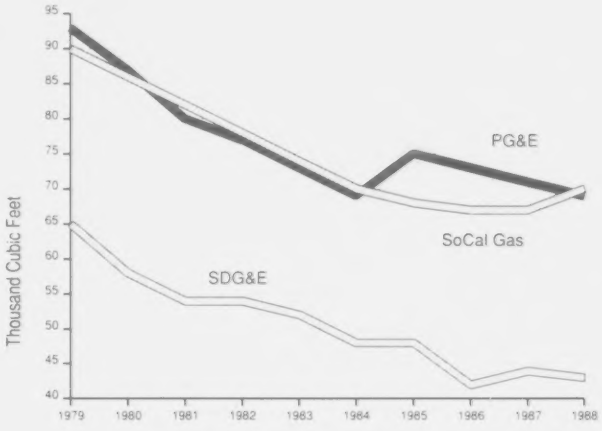
BPA's LTIAP is nearly identical to its Near Term Intertie Access Policy (NTIAP) which the U.S. Court of Appeals has already found to be anti-competitive because it resulted in higher prices charged to California users.

BPA Rates for Nonfirm Energy Challenged

Several times since 1980, BPA has established new rates to be charged for the sale of electrical power. Among these are rates applicable to the sale of energy to California which was surplus to the needs of the Pacific Northwest. During 1987, the FERC issued a series of decisions approving and confirming various of these rates for surplus energy.

The PUC and other parties from California petitioned the Ninth Circuit for review of the FERC decisions. The California parties argued that the rates charged by the BPA for the sale of surplus energy were far in excess of the costs it incurred in providing service to California, and in fact, exceeded rates BPA charged its own customers in the Pacific Northwest for firm power. Oral argument was heard by the Ninth Circuit in May 1989. The Court has not yet issued its decision.

RESIDENTIAL GAS SALES PER CUSTOMER, CLIMATICALLY ADJUSTED 12 MONTHS ENDED



Crockett Paid Deferral

In D.88-09-038, the Commission approved the first "paid deferral" in settlement of a dispute between PG&E and Crockett Cogeneration, a planned QF facility. In exchange for deferring project operation from 1989, when PG&E has little need for the additional capacity, to 1994 when the need for additional capacity will be greater, PG&E agreed to pay the QF $20.1 million.

The Commission required that any payments made to Crockett over $12.7 million, the estimated ratepayer benefit of the settlement, be refunded to ratepayers if the QF does not become operational as scheduled.

Two other paid deferral arrangements have been submitted for Commission consideration and decisions are expected in late 1989.

Electric Meter Testing

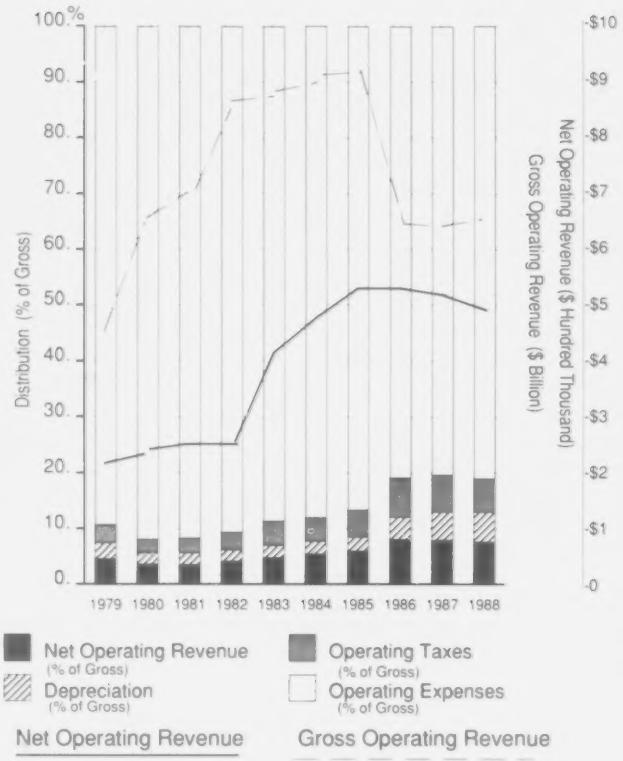
As of the end of 1988, the three major regulated electric utilities had approximately 8.9 million electric meters in service. During 1988, more than 503,000 new and used electric meters were shop or field tested. Over 88 percent of the field tested meters were within the accuracy limits prescribed by utility tariff rules. The meter testing program resulted in the utilities refunding over $86,800 for fast meters and backbilling approximately $3.33 million for slow meters. Both of these figures are lower than those of previous years.

FERC NOPRs

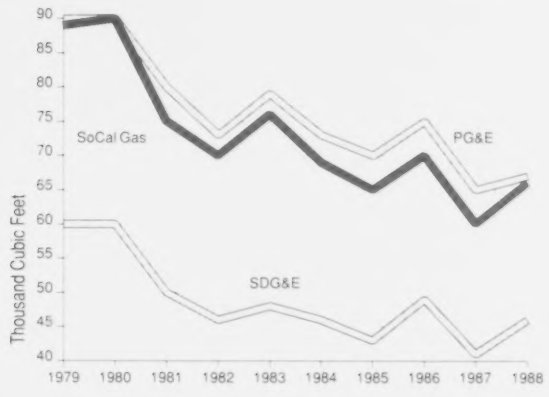
In March of 1988, the Federal Energy Regulatory Commission (FERC) issued three Notices of Proposed Rulemakings (NOPRs) addressing further implementation of the Public Utilities Regulatory Policy Act (PURPA) and the development of a market for electric power. PURPA was intended to increase the ability of non-utility generating sources to sell their electricity to the utilities at prices close to the utility's cost of production. The NOPRs proposed administrative procedures for determining a utility's avoided costs, for implementing bidding programs, and for establishing and certifying Independent Power Producers.

FERC received a number of unfavorable comments on all three NOPRs. In conjunction with the California Energy Commission and the state Department of General Services, the PUC's comments acknowledged the complexity of the problems FERC is attempting to solve and stressed the need to allow states to tailor bidding and other PURPA procedures for each locality and situation. The FERC had not taken any action to implement any of the proposed regulations at the time this report was being prepared.

DISTRIBUTION OF REVENUES AND EXPENSES LARGE GAS UTILITIES
(PG&E, SDG&E, SoCal Gas, SW Gas)



MAJOR GAS UTILITIES
RESIDENTIAL GAS SALES PER CUSTOMER, RECORDED



NATURAL GAS

Gas Industry Restructuring

With a series of major decisions in 1986 (D.86-12-009 et al.), the Commission began to restructure California's natural gas industry. The restructuring is intended to foster more competition between utilities and alternative fuel providers serving industrial and other large gas customers.

The markets utilities serve were separated into core (residential and small commercial customers who rely on a utility for gas supply and transmission service) and noncore (industrial and large commercial customers with alternate fuel sources). While utilities still provide bundled (supply and transmission) service to core customers, noncore customers who have alternative fuel sources are provided with unbundled services.

Beginning on May 1, 1988, as set forth by D.87-12-02-039:

- Rates are based on recorded utility costs.
- Noncore customers may choose to purchase gas from either their local distribution company or arrange their own supply purchases. Regardless of the choice, the utility will transmit the gas to the customer. Transmission rates are negotiable with an embedded cost-based rate design ceiling.
- Utilities have developed core and noncore gas portfolios. The core portfolio consists of long-term contracts and stable supplies for price stability. The noncore portfolio will consist of spot and short-term purchases intended to fluctuate with market conditions.

Gas Cost Allocation

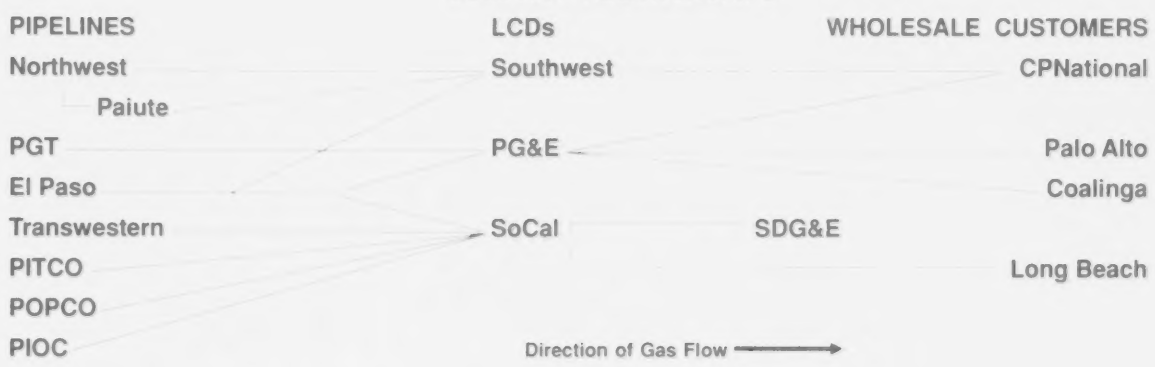
To lay the groundwork for the restructuring of the natural gas industry, the Commission formalized the method of cost allocation for the interim period (D.87-12-039) and ordered marginal cost studies from the major gas utilities (D. 87-05-046). These decisions were designed to continue moving the industry toward increased competition and cost-based pricing, while minimizing large, abrupt rate changes for customers.

Any cost allocation issues that were not addressed in D. 87-12-039 are decided in the Annual Cost Allocation Proceeding (ACAP) for each individual utility. The first ACAP for PG&E has been completed and ACAP hearings for SoCal Gas and SDG&E will begin in 1989.

Although rates are still based on embedded costs during the interim period, progress toward marginal cost pricing continues. Each of the major gas utilities is working on marginal cost studies using replacement costs and resource planning methodologies. The Commission will determine the process that will be used to take this information and use it to base rates on marginal costs.

AVERAGE MONTHLY RESIDENTIAL GAS BILL
(70 THERMS/MONTH)

COMPANY RELATIONSHIPS



Gas Gathering

In OII.88-11-012 the Commission began investigating PG&E's cost of gathering California-produced gas and its charges to gas producers for gathering and processing gas. At issue is the price of gas purchased by PG&E for its own system, as well as gas transported by PG&E, but purchased by others - either inside or outside of PG&E's territory. Hearings are set to examine both gas gathering costs and whether PG&E should perform gas gathering services.

The price of PG&E's out-of-state gas supplies include the cost of gathering and processing. The purpose of determining the cost of PG&E's gas gathering services to California producers is to allow PG&E to compare the relative price of California supplies with the price of out-of-state supplies.

SB 1937 has prohibited PG&E from adding a surcharge for gathering to its transportation rates. PG&E recovers its cost of gas gathering through rates to other customers.

In the pending proceeding, DRA believes PG&E may have an incentive to overbuild its gas gathering plant. It therefore recommends that PG&E stop building new plant and require producers to construct their own facilities. DRA also recommends that the Commission accelerate the pace of PG&E's recovery of gas gathering costs, ultimately reducing transportation rates to all customers.

Gas Procurement and System Reliability

The Commission's order instituting Investigation and Rulemaking (R.88-08-018; I.87-03-036) into natural gas procurement and system reliability issues set forth rules for core procurement guidelines, brokerage fees, use of interruptible transportation, and gas storage banking. The PUC held workshops on priority allocation of the firm transportation rights that PG&E and SoCal Gas have on interstate pipelines. The PUC is also investigating two contracts filed by SoCal Gas for gas transportation service and firm capacity allocation with SDG&E and Edison.

Gas Storage

Following workshops to clarify issues, a pilot annual gas storage program for noncore customers began on April 1, 1989. Under this program noncore gas customers bid with PG&E and SoCal Gas before April 1 of each year to secure storage capacity for gas.

The program allows these customers to purchase gas throughout the year at favorable prices, then store it for use when prices rise or supplies are scarce. The range of bids and available storage capacity are analyzed by the utility to arrive at a single storage banking fee. The Commission set a storage target for each utility. The purpose of the banking fee is to maximize revenues as well as achieve the target storage goals.

Utilities will issue quarterly progress reports during the year, and a regular program should begin April 1, 1990.

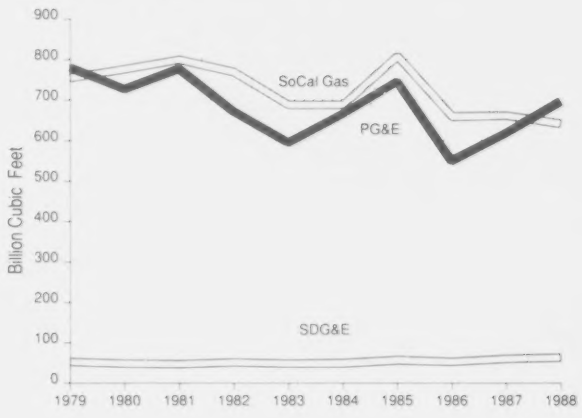
GAS PIPELINE OII

In early 1988, the PUC testified before FERC about its concerns regarding interstate pipeline applications to build new capacity into California to serve California customers. The PUC's main concerns were utility bypass, the effects on California ratepayers, jurisdictional and economic problems, and environmental impacts.

The Commission then issued I.88-12-027 in December 1988 to encourage development of proposals which address the question of new natural gas pipeline capacity for California. The Commission set forth the goals of a new pipeline capacity policy and the criteria for new pipeline capacity additions. In February 1989, the respondent utilities - PG&E, SoCalGas, Edison, SDG&E and Southwest Gas - filed responses.

On February 24, 1989, the Commission issued an Interim Order in this investigation which clarified the procedural steps of defining the market for new capacity. The Commission also concluded that an improved level of service for noncore gas customers was warranted. The interim order directed the respondent utilities to formulate specific proposals for providing that higher level of service. Several agreements have been filed for the Commission's consideration and a prehearing conference was scheduled July 1989.

MAJOR GAS UTILITIES
GAS SALES OTHER THAN RESALE



GENERAL RATE CASES

Currently, general rate cases for major utilities are scheduled every three years. During a general rate case, the DRA and intervenor groups evaluate a utility's estimates of its operating expenses and capital expenditures for a future test year, its revenue requirements request covering those estimated expenses, and its requested return on projected rate base. The Commission considers the utility's estimates and these evaluations and sets a reasonable revenue requirement and rate of return.

PG&E

DRA has recommended that PG&E's proposed revenue requirements for the 1990 test year be reduced by $114 million for gas operations and be reduced by $301 million for electric operations. The Commission is expected to issue a final decision in this general rate case in December 1989.

SoCal Gas

The Commission is also expected to issue a final decision in the SoCal Gas general rate case in December 1989. DRA has recommended that the utility's proposed revenue requirement for 1990 be reduced by $150 million.

Southwest Gas

Southwest Gas requested an increase in gas rates of $3,930,475 for its Mohave Division and an increase of $439,721 for its Sierra Division. DRA proposed reducing the Mohave increase to $967,000 and reducing the Sierra Division increase to $200,000. Prior to hearings, the utility and DRA reached a stipulation agreement on all aspects of Southwest Gas' application except return on equity. The Commission set a return on equity and adopted the stipulation which approved an increase of $1,460,997 for the Mohave Division and an increase of $238,600 for the Sierra Division (D.88-12-081).

Multi-factor Productivity

The Commission has repeatedly expressed its intention to move away from "micro-management" of utilities. Instead, the Commission hopes to rely increasingly on broad bottom line measures of utility performance in ratemaking proceedings.

Multi-factor productivity measures meet this objective by looking at the overall level of cost savings attainable through productivity gains, rather than focusing on the myriad of management decisions necessary to achieve these productivity improvements. The major advantage of multi-factor productivity is that it gives an overall evaluation of a regulated company's efficiency in providing service to its customers.

Multi-factor productivity analysis offers a theoretically sound basis on which broad productivity targets can be based without impairing utility managers' discretion to determine how to meet, or exceed the forecast levels of cost savings.

In 1988, multi-factor productivity measures were part of SDG&E's and PG&E's general rate cases.

ANNUAL COST ALLOCATION PROCEEDINGS (ACAP)

PG&E

Under the PUC's new natural gas regulatory framework, the PG&E ACAP replaced - as will ACAPs now in progress for SoCal Gas and SDG&E - the former semi-annual Gas Adjustment Clause and related proceedings.

Gas utility fuel cost filings now cover not only the cost of the gas supplies but also the allocation of some nongas costs to the noncore class of customers. The actual total nongas cost to be split between core and noncore customers is determined during each utility's most recent general rate case proceeding. From core customers, natural gas utilities will continue to recover all prudent costs - in future if not in current periods. However, since the utilities now must compete in the free market with fuel oil and other alternative fuels for noncore customers, utility rates will reflect only the costs of serving the noncore class.

SoCal Gas

SoCal Gas filed its 1989 ACAP in April 1989 and requested a total revenue requirement which reflects an increase of $57 million to core customers, a decrease of $70 to noncore customers, and a decrease of $9 million to wholesale customers. DRA has instead recommended a decrease of $155 million for core customers, a $113 million decrease for noncore customers, and an $8 million decrease for wholesale customers. Hearings will be held in July 1989, and a Commission decision is expected in December 1989.

FERC Proceedings

The PUC is participating in a number of proceedings before the Federal Energy Regulatory Commission (FERC) involving El Paso Natural Gas Company and Transwestern Pipeline Company. These utilities seek to recover millions of dollars in costs which the PUC does not believe are appropriate to recover from ratepayers. If, as a result of PUC participation in these proceedings, the utilities are denied recovery of these costs from ratepayers, rate increases that would otherwise be borne by California ratepayers will be prevented.

El Paso

El Paso Natural Gas Company filed with the FERC a general rate case seeking to increase rates by $385 million. The PUC has protested this

increase. Hearings are set to begin in October 1989.

The PUC has intervened and protested numerous other El Paso filings before the FERC, including: two applications concerning El Paso's recovery of over $780 million of take-or-pay costs; its purchased gas adjustment filings; gas inventory charge filings; and the utility's proposal to directly bill its customers for over $300 million of its Account 191 costs. Decisions in these matters are pending.

So far, the FERC has ordered El Paso to credit its rate base with the remaining balance in its deferred tax reserves associated with El Paso's company-owned production of gas and to refund to its customers $68 million because El Paso had not credited these deferred tax reserves to its rate base since 1983. In December 1988, El Paso refunded $37 million to SoCal Gas and $20 million to PG&E which these utilities will pass on to their customers.

Transwestern

The PUC has intervened and protested Transwestern Pipeline Company's general rate case filing with the FERC and its purchased gas adjustment and take-or-pay filings. The PUC also has appealed the FERC's orders which approved Transwestern's gas inventory charge proposal. Decisions in these matters are pending.

STANPAC

In April 1989, the Commission approved the application of Standard Pacific Gas Line Incorporated (STANPAC) to reconstruct 52.63 miles of 26-inch pipe and related facilities along its No. 2 high pressure natural gas transmission pipeline (D.89-04-073). This reconstruction program will replace corroded pipe and ensure the safety and reliability of the pipeline system. The improvements will be staged in a series of eight segments at an estimated cost of $31.64 million.

The Commission's decision was based on the terms and conditions of the January 1989 settlement agreement negotiated by DRA, STANPAC and PG&E. The agreement represents a reasonable compromise for scaling down the project's scope. STANPAC Line No. 2 will continue to operate at its present carrying capacity and maximum operating pressure of 500 pounds per square inch gauge during and subsequent to the pipeline replacement.

An environmental impact review (EIR) conducted by DRA concluded that there will be no significant short- or long-term effects resulting from the proposed project. However, the EIR studies recommended certain mitigation and monitoring measures which are conditions of the Commission authorization.

Gas Service Standards

General Order 58-A was updated to reflect the progress of gas equipment technology. A Statistical Meter Performance Control Program replaced the 10-year Meter Change-out Program. PG&E, SoCal Gas, and SDG&E - the three largest regulated gas utilities - reported saving $13.2 million during 1988 by using the new program.

Over 479,000 meters, or 5.6 percent of the 8.5 million gas meters in service were tested. Gas utilities refunded $484,700 and backbilled $3.6 million to customers with inaccurate meters.

Hazardous Waste Policy

Responding to utilities' rapidly increasing environmental costs, the PUC has developed a specialized approach for dealing with certain hazardous waste costs that are difficult to predict. Under this special procedure, a utility can file an advice letter seeking approval to set up a memorandum account for tracking cleanup expenses.

In the first reasonableness review filed for hazardous waste-related expenses and costs, PG&E is seeking to put into rate base the costs associated with two completed environmental compliance projects: one to reduce fish losses which were occurring as a result of operation of the Contra Costa and Pittsburg Power Plants; the other to reduce fallout particulate matter being emitted from the Contra Costa Power Plant.

Before utilities undertake environmental compliance activities and are able to put hazardous waste cleanup expenses and capital costs into rates, they must inform the PUC of the activities and associated expenses. Then, after the expenses have been made, the utilities may file reasonableness review applications for PUC evaluation.

The Commission approved a PG&E request for the expense of disposing of PCB-contaminated soil at its Emeryville site. Two additional utility filings are pending: one from Edison for expenses related to two hazardous waste management projects - the Visalia poleyard and a landfill; the other from SoCal Gas for expenses related to the remedial investigation of a former manufactured gas plant site called Dinuba Base.These projects will be the subjects of a future reasonableness review.

When they are not classified as environmental compliance projects, hazardous waste-related expenses and costs are recovered through general rate case proceedings. In both the PG&E and SoCal Gas general rate cases, the PUC evaluated site investigation expenses, cleanup expenses in rate cases vs. memorandum account treatment, surface impoundment expenses, underground storage tank

cleanup expenses, and PCB cleanup expense recovery. Whether and how much of these expenses can be recovered through rates will be determined by the Commission's decisions in these general rate cases expected in late 1989.

Low Income Weatherization Programs

Over 200,000 low-income homeowners and renters obtained free weatherization and energy saving devices during 1988-89. Ceiling insulation, weatherstripping and caulking, water heater blankets, energy efficient showerheads and duct wrap made their homes more comfortable and efficient. Window and door replacement and other minor structural repairs were also made if necessary, provided that the repairs cost less than $200 per household.

The eight energy utilities spent over $62 million this year to implement these PUC-mandated direct assistance programs. The weatherization work is contracted with community services, local governmental agencies and other companies such as Volt Energy Systems, Inc. and the California-Nevada Community Action Agency.

CONSUMER AFFAIRS

The PUC Consumer Affairs Branch (CAB) answers protests and inquiries and resolves complaints from utility customers. CAB staff explain rates, regulations and policies of the energy, telecommunications, and water utilities regulated by the PUC and provide information about the PUC's purpose, functions and procedures.

In addition, CAB works with utilities to clarify their rules and regulated services. CAB also monitors and provides input on legislation that would affect utilities and utility customers. The Commission relies on CAB to keep it informed of consumer concerns and significant utility activities.

Consumer Affairs staff answer questions about PUC-regulated utilities and help customers resolve problems with their utility.

This fiscal year, to respond to consumer complaints, CAB resolved a number of issues including:

- changing Pacific Bell's tariff to eliminate an installation charge for business customers who move within the same building, and do not require central office work, so that they are charged only for the processing of the service order;
- convincing AT&T-C to refuse to handle credit card or third number billing calls made to 976 information access services;
- bringing to the Commission's attention problems associated with Operator Service Providers (also known as Alternate Operator Services) entering the California telecommunications marketplace. The Commission responded by requiring these services to be under its authority and to obtain certificates to operate under approved filed tariffs.
- resolving a dispute between PG&E and one of its customers concerning a seven-year backbilling for energy diversion of gas and electricity which resulted in the customer paying a settlement of $16,300. Without this resolution, other PG&E customers would in effect have paid the loss to PG&E of this customer's diversion of energy.

Other major issues and problems CAB addressed during 1988-89 included:

ENERGY

PG&E's January 1, 1989 rate increase

Increased agricultural energy rates

Lower energy baseline allowances

Energy theft

Denial by utilities to arrange extended customer payment plans

Joint tenant liability for utility charges

Complaints from submetered customers

SDG&E/SCE proposed merger

High bills

TELECOMMUNICATIONS

Pacific Bell's 100 percent increase in private line installation charges

976 business blocking approved

Operator Service Provider complaints

Illegal use of Automatic Dialing Announcing Devices

Customer Owned Pay Telephones

AT&T-C's one-time 75 percent refund on in-state long distance calls

WATER

Poor service

High bills and rates

Rationing plans

WATER

The PUC regulates 253 investor-owned for-profit water and sewer utilities in California. It has no jurisdiction over 1,000 other publicly-owned systems and mutuals that are owned by their customers.

Ranging in size from the largest, serving over 300,000 customers and with $100 million in revenues to those with fewer than 10 customers and less than $1,000 in revenues, PUC-regulated water utilities serve about 20 percent of the state's residential water users located primarily in suburban and rural areas.

The number of PUC-regulated water and sewer utilities is decreasing steadily, although the total number of customers they serve is increasing. Over time, many of the smaller, less viable utilities are being consolidated with larger systems or being taken over by their customers and their service areas converted to public districts. During 1988-89, ten small water utilities became publicly-owned and one merged with a larger water company. The Commission encourages such mergers where more professional management might address service problems of small utilities.

Only a few new water utilities have come under PUC regulation in recent years - primarily very small existing systems that have come to the PUC's attention as a result of customer complaints about their rates and service.

Drought Investigation

The drought of 1987-88 left several water utilities with critical water supply problems by the end of 1988. Faced with an unprecedented third year of drought, in March of 1989, the Commission opened an investigation to assess the impact of the drought on water utilities and their customers, and to determine ways to mitigate the effects of the drought.

In its report to the Commission addressing these issues, the PUC's Water Utilities Branch concluded that although late March rains had helped to end the drought for most of the regulated water utilities in California, some Central California utilities were still short of water and needed to implement rationing. The Branch recommended mitigation measures including: conservation information programs; mandatory rationing; and conservation expense and lost revenue recovery programs for water utilities based on the premise that both the utilities and their customers should bear the economic impact of the drought. This investigation is expected to be concluded by fall of 1989.

Rate Case Plan

In March 1989, the Commission opened a rulemaking proceeding to revise the schedule used by major water utilities to apply for rate increases. Although PUC staff and water utilities' representatives have agreed on a tentative new schedule, more workshops and hearings will be held before the Commission makes a final decision.

Water Quality

In 1986, Congress amended the Safe Drinking Water Act of 1974 to tighten the water quality requirements imposed on drinking water suppliers. During 1989, the Environmental Protection Agency (EPA) established regulations for potential contaminants. The EPA will issue monitoring requirements for these contaminants and develop new standards for filtration and disinfection. The potential effects on rates of the utilities' costs of complying with the regulations may vary from less than a 20 percent increase in rates for customers of large utilities to a 100 percent or more increase for those served by small utilities.

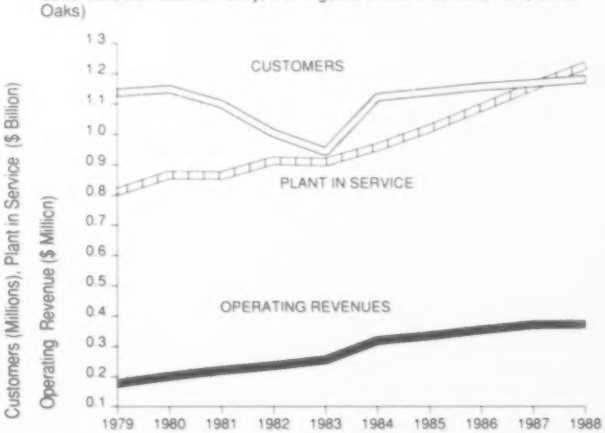
The Water Utilities Branch has been following the evolution of these new standards and compiling information on operational and capital costs that eventually will be used to adjust rates. Large water utilities have been phasing in system improvements which have not produced large rate increases. However, small water utilities have not yet been required to make significant system improvements; when those are required, they will produce substantial rate increases.

New Rules To Discontinue or Restore Service

New Public Utilities Code requirements specify how water service will be discontinued for nonpayment of bills and restored. These requirements affect residential users served by individual meters or a master meter in multi-unit residential structures, mobilehome parks, or permanent residential structures in labor camps,

GROWTH OF LARGE WATER UTILITIES

(California Water, Southern California, San Jose, California American, Suburban, San Gabriel Valley, Dominguez, Citizens Utilities, Park, Great Oaks)



where the owner or manager is listed as the customer of record with the utility.

The water utility must inform users, by means of a notice, when payment is overdue and service will be discontinued. The notice must also inform users that they have the right to become utility customers without being required to pay the amount due on the delinquent account. By the beginning of 1990, all water utilities should have these new provisions included in their tariffs.

Cross-Connection Protection

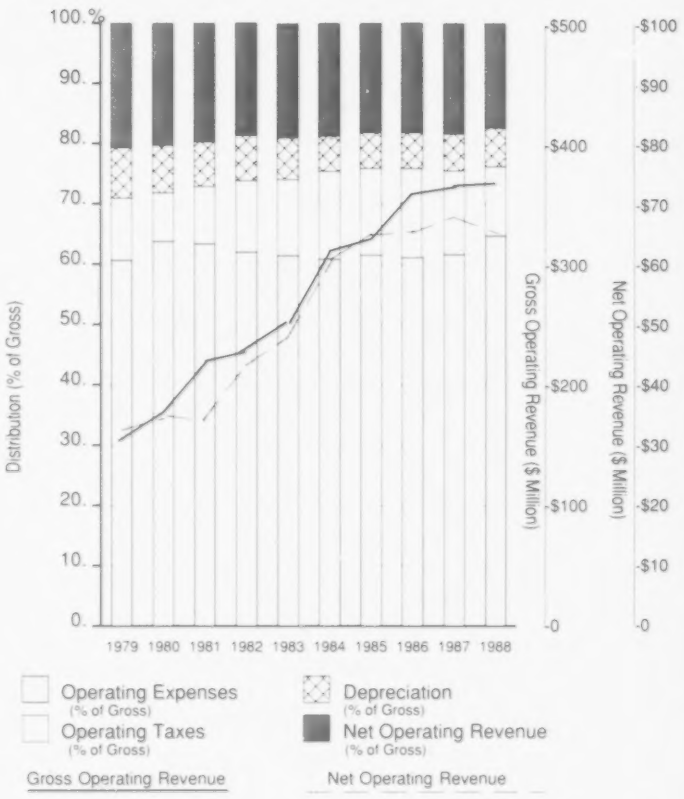
The California Administrative Code has been revised to require water suppliers to protect the public water supply from contamination by inadvertent interconnection with contamination sources.

State and local health agencies must: adopt operating rules and ordinances for all water suppliers to assure cross-connection protection; survey all water systems to identify water user premises where cross-connections are likely to occur; require the installation of protection devices at or on the users' premises where cross-connection potential is found to exist; require each supplier to provide at least one person trained in cross-connection control to carry out the program for the supplier; establish a procedure for periodic testing of backflow preventers; and require the supplier to maintain records of locations, tests, and repairs of backflow preventers.

The Water Utilities Branch is working with the California Department of Health Services to develop changes to PUC rules to conform to the new requirements so that all water utilities' tariffs will reflect them by the beginning of 1990.

DISTRIBUTION OF REVENUES AND EXPENSES LARGE WATER UTILITIES

(California Water, Southern California, San Jose, California American, Suburban, San Gabriel Valley, Dominguez, Citizens Utilities, Park, Great Oaks)



TRANSPORTATION

DRA Now Has a Transportation Section

In August 1988, a Transportation Section was added to the Division of Ratepayer Advocates' (DRA) Energy Rate Design and Economics Branch. Staff from this new Transportation Section will participate in transportation proceedings representing ratepayer and consumer interests; and examine existing formulae and data bases and make recommendations to the Commission about how to ensure that rates based on this data will offer ratepayers and consumers high quality service at the lowest reasonable rates.

GENERAL FREIGHT REGULATORY CHANGES

PUC hearings to consider developing a new regulatory policy for general freight transportation began in November, 1988 and ended in February, 1989. More than 100 witnesses participated in 56 days of public testimony. This was the first proceeding in which the new DRA Transportation staff participated to represent ratepayer and consumer interests.

In June 1989, the PUC administrative law judge overseeing this case (OII 88-08-046) proposed that because a "workably competitive market exists in the general freight trucking industry", a flexible regulatory program relying on competition to lower transportation rates, driving them toward costs, should replace existing PUC regulation of this industry.

This proposed flexible rate program would allow common carriers the freedom to set their own rates within a zone of reasonableness - no more than a 10 percent increase in a 12-month period; an increase of more than this amount would require a formal application to and approval of the PUC. The proposed program would incorporate strengthened safeguards which conform to legislative requirements to ensure that the public is provided with safe, reliable service at reasonable, nondiscriminatory rates, including: monitoring of competition and quality of service in small communities; a minimum level of service requirement for common carriers; all rates, contracts, and discounts filed with the PUC and available for public inspection; and a toll free number the public could use to verify carriers' operating authority.

The Commission's decision in this proceeding, expected in Fall 1989, may have significant effects on how general freight rates are set and on the PUC's economic and enforcement policies for the general freight industry.

TOUGH NEW SAFETY REQUIREMENTS

AB 3490, enacted in 1988, directed the PUC to issue or authorize the transfer of any highway carrier operating authority only when the carrier shows that it has: a vehicle preventative maintenance program, a safety education program, and workers' compensation insurance coverage.

This tightened the standards for entry into the trucking industry required PUC Transportation staff to spend considerably more time reviewing and processing requests for operating authorities and by March of 1989, 1500 applications were pending review. By the end of June, however, 500 had been processed with the highest priority given to seasonal agricultural carriers to assure their authority to operate during the harvest season; and each month thereafter, an estimated 400 applications would be processed.

To effectively implement this program, the PUC's 19 Transportation offices statewide undertook an intensive education program to assist potential carrier applicants in understanding and meeting the new requirements.

SETTLEMENTS IN ENFORCEMENT CASES

This fiscal year, settlement conferences have helped to expedite enforcement proceedings and save both public and private funds. The settlement process seeks approximately the amount of fines which would otherwise be sought through the evidentiary hearing process; and when successful, the Commission and parties avoid the time and expense of a hearing, and PUC staff can pursue other enforcement issues.

Five of the seven settlement conferences conducted this year were successful and resulted in fines totaling $108,274.

Bandit Limos

Unlicensed limousine operators, frequently referred to as "bandits", often operate uninsured vehicles with unqualified drivers and pose a danger to the public. The PUC wanted to respond to the numerous complaints it received from consumers about these operators.

Since each of these companies advertised extensively in telephone directory yellow pages, the PUC worked with prosecutors in Los Angeles and Orange Counties to obtain court orders which authorized telephone companies to disconnect phone services to four unlicensed limousine companies. In addition, lawsuits seeking substantial

civil penalties were filed against the companies.

Terminating their telephone service proved to be an effective means of stopping unlicensed operators from preying on unsuspecting customers.

Road Check Program

From Mt. Shasta in the north to San Ysidro and Winterhaven in the south, and at 15 other points in between, PUC Transportation Compliance and Enforcement staff, in cooperation with the California Highway Patrol (CHP), participated in 56 truck road checks at CHP roadside weight and safety inspection facilities. This program is to ensure that both interstate and intrastate truck operators are in compliance with PUC licensing and registration requirements. This year, the CHP issued citations for violations to 262 of the 7,238 operators who were checked.

Record Fines Assessed

Due to a greater number of enforcement actions and higher fines levied, fines assessed through the undercharge citation and citation forfeiture procedures reached a record total of $1,259,156.

Undercharge citations are issued to highway carriers of property who are found to have charged less than their applicable tariff or contract rates. The PUC requires a carrier to collect the undercharges from the involved shippers and pay a fine to the PUC in the same amount.

The citation forfeiture procedure imposes a fine on carriers of property and passengers for such violations as operating without a permit, engaging subhaulers without having a bond on file with the PUC, and operating during a period of insurance suspension.

Zip Code Distance Table

The distance table is used to determine mileage for the purpose of establishing freight rates. In the past, the mileages contained in this table were "constructive" mileages which took into account route variables such as road grade and traffic congestion between cities.

A new distance table is being developed which will use postal zip codes as references for origin and destination points instead of cities, and will show actual miles between points. This should simplify the rating of shipments.

More Flexible Dump Truck Rates

Following hearings on dump truck rates, the Commission broke new ground by adopting a simplified and expedited three-tier procedure for dump truck carriers to follow in seeking authority to charge less than minimum rates. This new deviation procedure took effect June 30, 1989 for a two-year test period.

In this departure from past practice, the Commission no longer requires dump truck carriers who wish to charge lower than minimum rates to show that a unique economic circumstance exists. Carriers now may seek authority to charge up to 10 percent less than the applicable minimum rate by filing a simple application which requires no showing of costs.

A carrier who wishes to reduce rates by more than 10 percent can do so by either filing an application containing a complete cost study showing that the proposed rate covers the carrier's full costs and produces a profit; or by filing an application demonstrating financial solvency and showing that the proposed rate covers 105 percent of its variable and insurance costs. An uncontested request will be granted after 30 days.

Safety is an important part of this new deviation program because applicants who request deviations must submit evidence of compliance with specific California Highway Patrol and Department of Motor Vehicle safety programs.

Vallejo - San Francisco Ferry Service

In April 1988, Harbor Carriers filed an application (A88-04-005) to abandon all passenger ferry service between Vallejo and San Francisco. The next month, the PUC held a public hearing in Vallejo during which passengers, as well as public officials of the North Bay Area, urged continuation of the ferry service.

The PUC's Transportation Division examined Harbor Carriers' operations and concluded that the company needed a 47 percent revenue increase ($450,000) in order for its Vallejo-San Francisco services to break even. PUC staff recommended that Harbor Carriers seriously consider ways to achieve that revenue increase, including asking the PUC for a fare increase, applying for subsidies from public agencies, and promoting its service to encourage greater numbers of passengers to use the service.

In September 1988, Harbor Carriers and the City of Vallejo reached an agreement to continue the ferry service between Vallejo and San Francisco at existing schedules and fares. As part of this solution, the Metropolitan Transportation Commission granted Vallejo's request for a subsidy of $125,000 per quarter to help Harbor Carriers support the service. This subsidy is guaranteed though 1989; and A.88-04-005 has been suspended until further notice.

Napa Valley Wine Train

The Napa Valley Wine Train proposes to operate rail passenger excursion service along 21

miles of railroad line between Napa and St. Helena.

The Commission is concerned about the environmental impacts the train's operations may have on the area and has ordered the Wine Train not to begin operations until it has sought the appropriate state regulatory approval. The Wine Train has taken the PUC to Court on this issue, and the case is currently before the California Supreme Court.

In a related matter, the PUC has sued the Interstate Commerce Commission in Federal District Court in Washington, D.C., for finding that federal law preempted the PUC from regulating any aspect of the Wine Train's operations other than safety matters. This case is also pending.

Deviations from Minimum Rate Programs

The transportation prices charged by dump truckers, livestock haulers and household goods carriers are currently subject to PUC minimum rate regulation. Since the minimum price levels set by the Commission cannot be developed to cover all transportation circumstances that may arise, each of these programs contains a provision to allow a shipper and carrier to negotiate a less-than-minimum price for specific traffic.

During fiscal year 1988-89, Transportation staff received and reviewed 38 minimum rate deviation requests; the Commission granted 37 of the requests and a decision is pending on one. All of the requests came from dump truckers involved in transporting industrial commodities such as limestone and silica sand used in glass manufacture. Unlike more conventional construction type commodities (rock, sand, gravel, and asphalt) hauling, industrial commodities hauling tends to be of consistently high volume between fixed origin and destination points, and the deviation process allows shippers to obtain low prices from efficient carriers who can haul at such prices while still covering their costs.

Livestock Rate Increase Requested

In November 1988, the California Trucking Association filed a petition for an increase of 3.5 percent in the rates of Minimum Rate Tariff 3-A for livestock transportation of more than 160 miles.

DRA protested that there is no need to raise the minimum rates when carriers can and consistently have been charging above the minimum rate level. A prehearing conference was scheduled for June 30, 1989 in this matter (Case 5433).

Rate Increase Sought for Household Goods Transportation

Also in November 1988, the California Moving and Storage Association filed a petition to increase Minimum Rate Tariff 4-C for household goods transportation to: offset increases in fuel and labor costs; reinstate a guaranteed price rate structure; institute a "reduced rate" for small shipment service; and change the methodology used to determine some rates (Case 5330, OSH 100; Case 5432, OSH 958).

Dump Truck Load Spillage Study

The PUC's Transportation Division in conjunction with the California Highway Patrol, the state Department of Insurance, and the state Department of Transportation is conducting a study to determine if recently mandated modifications to dump trucking equipment will significantly reduce damage claims caused by cargo spillage.

This study was directed by AB 3220, effective January 1, 1989, which required dump truckers hauling rock, sand, gravel and dirt to make the equipment modifications. The bill requires dump truckers to tarp their loads beginning September, 1990, if damage claims have not been reduced by that time.

Agricultural Rates

The Transportation Division studies the effects of Commission decisions on specific carrier industries within California. Currently, staff are studying the long term economic effects of deregulating rates for haulers of fresh fruits and vegetables. Since transportation rates are one cost element ultimately included in the final market price consumers are charged, decreases in these rates should reduce overall grocery costs for markets and consumers.

Airport Access

For the fiscal year ending June 30, 1989, there was a 14 percent increase in applications by passenger carriers for operating authority. During the last few years, most of the applications have been for airport shuttle service; this year, 71 percent of the filings were for airport access service.

ZORF

Applications for zones of rate freedom (ZORF) continued to increase. A ZORF allows a carrier to adjust its fares within a given range previously approved by the Commission. The Commission may grant a ZORF to a carrier after the carrier has made a showing that it is in a competitive environment. The PUC processed 16 applications this year compared with 5 the previous year. Now, 18 percent of all passenger carriers have ZORFS.

Six applications were made for fare increases. The total amount granted by the Commission was $1,850,352.

Centralized Carrier Information Depository

In November 1988, the Transportation Division made an overnight conversion from a partially automated system to the new computerized Transportation Management Information System (TMIS) which integrates all carrier-related information into a single depository.

The $2 million system was developed jointly by PUC staff and a private sector consultant. Since its inception, however, Transportation staff have been busy ironing out the bugs that seem to be inherent in a major computer conversion project.

As TMIS becomes fully functional, however, the intended benefits are becoming visible. For instance, fees are now processed overnight, and revenue is posted more rapidly than before.

TMIS is used to generate permits, suspensions and revocations. The up-to-date depository of information is immediately available to all branches of the division; and once the system proves to be completely reliable, Transportation Compliance and Enforcement staff in the field will be able to take appropriate enforcement actions based on information available at their fingertips through laptop computers.

Crescent Demonstration Project

The PUC's Transportation Division is participating in the development and implementation of two multi-state projects related to technological improvements in government oversight of the trucking industry.

The Crescent Demonstration Project will test the technical feasibility of an integrated heavy-vehicle monitoring system. This project is part of a U.S./Canadian research effort known as the Heavy-Vehicle-Electronic-License-Plate (HELP) program. It is anticipated that a fully operational system will reduce costs both for the trucking industry and government oversight.

At least 5,000 trucks will be fitted with transponders that transmit their weight, ID number and vehicle type while the vehicle travels at speeds up to 35 miles per hour, to computerized roadside sensors at demonstration sites. If a vehicle meets all legal requirements, it may proceed without stopping; otherwise it will be diverted to a holding area for inspection. There will be more than thirty monitoring sites in the western states, from Washington to Texas, and in British Columbia, Canada.

Model Base State Agreement

The model Base State Agreement is a pilot program to streamline the registration, insurance verification, process agent identification and fee collection for interstate and foreign highway carriers. Its purpose is to standardize and centralize information thereby simplifying the procedures for both carriers and government oversight agencies.

A subcommittee of the National Governors Association has drafted a proposal for the base state procedure intended to implement Public Law 89-170 which is the basis of the Interstate and Foreign Highway Carriers Registration Act. The PUC is working with representatives of 39 other states to finalize a proposal; staff will then recommend whether or not the PUC should participate with the other states in the pilot program to the Commission for a final decision.

SAFETY

To respond to the heightened concern for public safety, in February 1989, the Commission established a new Safety Division responsible for safety oversight of electric and gas utilities, previously performed by CACD, and rail and rapid transit safety matters, previously performed by the Transportation Division.

The PUC's role with respect to safety in the truck and bus industries is implemented primarily through licensing requirements, and continues to be carried out by the Transportation Division.

UTILITY

Metallic Balloons

Metallic balloons pose problems to electric utilities. The mylar-aluminum balloons are about 18" in diameter and often are attached to metallic strings. During the past two years, 800 incidents were reported involving balloons which were released and tangled with overhead electric lines causing the lines to short-circuit. These incidents disrupted service, damaged equipment, and endangered public safety.

In September 1988, legislation was enacted directing the PUC to investigate the problems associated with metallic balloons and to report back to the legislature by January 31, 1990. The PUC, with assistance from San Francisco State University, is tabulating and analyzing data furnished by the utilities regarding metallic balloon incidents.

Barehand Maintenance

High costs are incurred when major transmission lines need to be shut down for repairs or maintenance. These costs have prompted electric utilities to look for ways of servicing the lines quickly without shutting them down. A new procedure referred to as "barehand" work looks promising; it has been used in other states and in Canada for over 30 years. PG&E has applied to the California Occupational Safety and Health Administration for approval to use this live line technique.

In barehand work, linemen wear conductive clothing - jump suits, gloves, socks, and shoes. Before they start to work, the linemen clamp their suits to the energized line while standing on either an insulated aerial lift or insulated ladder; in rough terrain, it is possible for the linemen to work from a platform mounted on a helicopter. Voltage without current flow is not harmful. Since the linemen are isolated from all ground sources, no current will flow through their bodies. This same principle allows birds to perch unharmed on power lines.

Linemen also can work on energized lines using 20-foot long insulated poles called "hot sticks". However, the poles are cumbersome, require special skills, and subject linemen to strains and stresses which can fatigue them quickly. Barehand work allows linemen to work up close, fast, and with minimum strain. PG&E has found that linemen are able to perform the same task two to eight times faster and with fewer people using the barehand method rather than hot sticks.

Replacement of Leak-prone Pipes

Significant progress has been made in reducing miles of leak-prone cast iron and copper gas pipeline systems with steel or plastic pipe. Over the past eight years, SDG&E has eliminated all copper and cast iron pipe from its system; PG&E has eliminated all copper pipe and 102 miles of cast iron pipe; and SoCal Gas has eliminated all but 1 mile of copper pipe and has reduced cast iron pipe from 109 to 36 miles.

During this same time period, PG&E has replaced 9,500 copper service lines with new non-corrosive plastic pipe and SoCal Gas has replaced 135,537 copper service lines. SDG&E has no copper service lines remaining in its system.

Progress also has been made either in replacing with new pipe bare and coated steel gas pipes that weren't protected for corrosion or in protecting these systems with cathodic protection. Pipelines with cathodic protection during the past eight years have increased 2,400 miles for PG&E, 2,300 miles for SoCal Gas, and 200 miles for SDG&E. This added protection has resulted in a significant reduction in the number of corrosion leaks per service pipe.

Underground Electric Vault Accidents

During the past few years, a number of explosions and failures of electric switches housed in underground vaults have occurred in Southern California. These incidents resulted in death, injuries, and property damage.The Safety Division is investigating to determine the causes of the incidents, whether similar incidents have occurred in other parts of the state, and solutions which might prevent future incidents

RAILROAD

Passenger Heavy Rail Growth

The National Railroad Passenger Corporation (Amtrack) continues to find increasing numbers of passengers using its California service. PUC Railroad Safety staff ride and inspect Amtrak passenger cars and trackage on a regular basis to assess the safety of equipment and operations.

Intrastate rail routes including the San Diego and San Joaquin routes continue to expand. One train in each direction between Los Angeles and San Diego has been extended northward to serve the Los Angeles-Santa Barbara market. San Diego

County is studying improved rail service in the Oceanside-San Diego Corridor. New rail corridors are also being developed in San Diego County using trackage of the San Diego Imperial Valley Railroad.

PUC Railroad Safety staff oversee safety review of new corridor trackage construction and operational planning.

Other heavy rail commuter (non-Amtrack) services in the state are also gaining ridership. The current CALTrain service on the San Francisco-San Jose corridor has increased by 5-6 percent a year and now averages 17,000 riders daily, 1,000 more than last year.

High Speed Rail Plans

AB 971, enacted in 1988, created the Los Angeles/Fresno/Bay Area/Sacramento High-Speed Rail Corridor Study Group. The Study Group includes representatives from local governments, the California Department of Transportation (CALTRANS), labor, railroads and the PUC, who with the assistance of a qualified consultant, will develop a plan for improving rail passenger service by increasing speed, frequency and reliability of service and identify new alignments for a future high-speed (up to 200 mph or more) rail corridor similar to those in Europe and Japan. The Study Group will submit its findings and recommendations to the legislature by July 1, 1990.

AB 671 (1988) created the California-Nevada Super-Speed Ground Transportation Commission. The bill directed this Commission, by January 1, 1992, to prepare a plan for construction and operation of a super-speed system between Southern Nevada and Southern California and to select an operator. The plan must be ratified by the legislatures of both states. PUC staff are participating on the technical advisory committee for the project to review its legal, safety, and environmental aspects.

Marin Corridor

A 101 Corridor Action Committee composed of city, county and state agencies has been formed to plan improved transportation between San Francisco and Santa Rosa. The PUC has served as a buffer between rail carrier interest, public interest and shipper interest in the development of this emerging corridor using the Northwestern Pacific Railroad right of way in Marin and Sonoma Counties.

Passenger Rail Excursion Services

Passenger rail excursion operations in California also are gaining more ridership. Cars, tracks, operations, and emergency plans must meet PUC requirements and applicable federal safety standards. The Commission has authorized service and safety requirements tailored to each individual carrier. The Sierra Railroad and California Western Railroad have operated for years. New operators offering service include The Yreka Western; Santa Cruz, Big Trees and Pacific; and the Eureka Southern.

IMPROVING SAFETY AT RAILROAD CROSSINGS

Rail/highway crossing safety has improved dramatically over the past 15 years. With federal funding support, the PUC in coordination with CALTRANS, the railroads, and local agencies, has improved crossing protection at more than 1100 crossings since 1974. As a result, the number of grade crossing accidents has steadily declined, fatalities have decreased by over 50 percent, and injuries have decreased by about 75 percent.

However, the trend now may be reversing, due in part to increased auto traffic in California.

PUC staff in cooperation with railroads, local agencies, CALTRANS, and the Federal Highway Administration are looking for ways to speed up the installation of crossing safety equipment and improve existing equipment where necessary. Options include: installing new automatic safety devices; upgrading older types of train detection equipment; and relatively low cost improvements such as removing sight obstructions, and improving striping and signing.

Corridors currently targeted for these improvements are: Alameda County, from Union City to Oakland, along the Union Pacific main line corridor; Stockton to Sacramento along the Union Pacific main line corridor; and the Los Angeles/Orange County/San Diego passenger rail line.

The Los Angeles/San Diego corridor work is part of a larger project to enable passenger train service to operate at faster speeds, thereby reducing travel time in this important corridor. Plans are also underway for substantial upgrading along the Southern Pacific's Peninsula mainline corridor between San Francisco and San Jose.

PUC staff examine each proposal for construction of new crossings to determine the need for the new crossing(s) and the safest feasible design. Commission approval to construct new crossings is granted subject to installation of needed safety equipment.

Increasing real estate development in California with new roads which need access across any railroad tracks in their path is producing many new crossings at the edges of large cities as they expand and in many rural communities. New crossings have also become necessary with the construction of new passenger rail transit services from Los Angeles to Long Beach, and new lines in San Diego County, in

Santa Clara County, and in Sacramento.

Operation Lifesaver Week

Governor Deukmejian proclaimed August 14-20, 1988 as California Operation Lifesaver Week, and encouraged all citizens to participate in activities to reduce grade crossing accidents.

Since 1976, federal, state and local agencies, railroads, school districts, auto clubs and the PUC have used the Operation Lifesaver program to increase public awareness of grade crossing hazards and safety needs through the 3 E's--Education, Engineering and Enforcement.

To dramatize the importance of driver and pedestrian safety alertness at grade crossings, the Operation Lifesaver Program, chaired by PUC staff, staged a train-vehicle collision in the City of West Sacramento. The staged collision showed the devastation that occurs when a car "stalled" on the tracks is struck by a 260-ton train traveling at 29 miles per hour, and how emergency responders deal with the situation. Media coverage of this staged event helped focus public attention on grade crossing safety.

Railroad Highway Grade Separation Priority List

Section 2452 of the Streets and Highways Code requires the PUC to establish, prior to July 1 of each year, a priority list of projects to separate railroad tracks and roads from crossing through the use of under- or overpasses. CALTRANS uses this list to allocate a $15 million fund provided by the legislature to assist local governments in financing grade separation projects.

The PUC determines the priority for each project and establishes a priority list by evaluating the volume of vehicular and train traffic, project costs, accident history and how often trains block streets.

Seven grade crossing projects proposed by the San Diego Metropolitan Transportation Development Board, operators of the San Diego Trolley, dominate the current list. Local governments and railroads objected to the inclusion of grade crossings nominated by light rail transit agencies and argued that this program was established for separation of crossings by conventional freight and passenger trains, not light rail transit vehicles.

To address these objections, in May 1989 PUC staff held informal workshops throughout the state with local governments, railroads, light rail transit agencies, consultants and other interested parties to review the formula and process for establishing the grade separation priority list for 1990-91 and future years. PUC staff is considering the participants' comments and will submit a recommendation to the Commission.

Automatic Grade Crossing Protection Maintenance Fund

The $1 million Automatic Grade Crossing Protection Maintenance Fund is budgeted annually by the California Transportation Commission. The Fund pays to railroads local governments' share of the costs of maintaining automatic grade crossing protection devices (installed after October 1, 1965). The PUC verifies maintenance bills the railroads have submitted. The PUC then submits its allocation and the bills to CALTRANS for payment to the railroads.

The cost of maintaining the approximately 3,000 railroad grade crossings statewide as reflected by maintenance bills submitted by the railroads for the 1988-89 fiscal year, exceeded the budgeted $1 million by over $2 million.

Employee Walkway Safety

General Order 118 requires railroads to have a "program of improvement" to bring walkways used by their employees up to safety standards. When such improvements should be made has been interpreted differently by unions, railroads, and PUC staff.

As a consequence of this ambiguity of General Order 118, the Commission opened an investigation (OII 89-03-004). The Commission directed the three groups to cooperate to develop a model walkway improvement program to set appropriate priorities for walkway improvement and to develop cost effective safety solutions. The goal of the program is to "decrease the most risk for the least cost in the least time."

Workshops will be scheduled later in 1989. Resolution of this issue should ensure continued attention to employee safety in this high risk industry.

Safety and Accident Investigation

The PUC regulates railroad safety in California in conjunction with the Federal Railroad Administration (FRA) under authority of both the Railroad Safety Act of 1970 and the Public Utilities Code.

Inspections of railroads for compliance with applicable state and federal railway operations safety regulations are conducted under the joint state/federal National Railway Inspection Plan.

The PUC involves railroads in the development of state standards and in the resolution of complaints from the public.

As the sole state representative in major California railway disasters investigated by the National Transportation Safety Board (NTSB), the PUC investigated several significant railway accidents:

- **Southern Pacific Transportation Company (SPT) Nov. 2, 1988 Newcastle Accident**
  A westbound SPT freight train derailed while passing through Newcastle. Over 20 cars derailed and one tank car carrying denatured alcohol ruptured. Downtown Newcastle had to be evacuated for 12 hours until the spilled substance was properly identified. Following their investigation, PUC staff recommended improvements in railroad notification of incidents to local emergency response agencies.
- **SPT San Bernardino May 12, 1989 Derailment**
  A runaway freight train traveling 90 mph derailed its 6 locomotives and 69 cars of potash in San Bernardino. Two children were killed in their homes and 2 train crewmembers died in the wreckage that also destroyed or damaged ll homes and buried much of the neighborhood in potash dumped from the cars. On May 25, 1989, a Calnev fuel pipeline exploded into a fireball at the same location as the derailment. Two residents were killed, 6 others hospitalized, and 10 more homes destroyed. The NTSB is planning a full hearing on both of these incidents and a complete investigative report. PUC Railroad Operations and Safety staff were among the first responders at the scene and assisted the NTSB with the investigation.
- **SPT February 20, 1989 Manteca Derailment**
  A westbound freight train with 4 cars of Class A explosives derailed in downtown Manteca. The investigation revealed a structural failure of rail joint bars and as a result, PUC staff examined the entire SPT Valley alignment for other possible rail fatigue situations.

Rail Hazardous Material Activity

The PUC has assumed a leading role in the enforcement of State Health and Safety Codes as they relate to the movement of hazardous materials by rail.

To deal with what appears to be an increase in rail-related hazardous material accidents, PUC staff have drafted a hazardous materials General Order. This new general order would improve railroad emergency response plans and require notifications to first responders and the State Office of Emergency Services in the event of a hazardous materials incident. However, the railroads have argued that federal rules preempt the PUC's further regulation of hazardous materials transportation by rail. PUC staff have filed a motion requesting a public hearing on the matter (OIR. 88-07-039).

PUC staff members serve as railway operational resource experts to the six Office of Emergency Services regions throughout California.

Concerns Over the Divestiture of SPT

The PUC raised several concerns which the Interstate Commerce Commission (ICC) addressed in its 1988 final decision regarding divesture of the Santa Fe Pacific interest in the Southern Pacific Transportation Company (SPT).

Among the key PUC concerns addressed by the ICC's decision granting Rio Grande Industries, Inc. control of SPT were:

- Preservation of both Sante Fe and SPT service in the San Joaquin Valley.
- Denial of outside carrier haulage rights into the San Joaquin Valley which could dilute the SPT's long term traffic base assets and could compromise the SPT's financial and fiscal integrity.

Additionally, Rio Grande Industries management responded favorably to the PUC's request to resume rail service in the northeast corner of the state on SPT's Modoc Line. Resumption of this service gives the lumber industry in the area access to eastern destination points and widens its market base.

RAIL TRANSIT

PUC safety regulation of public rail transit systems dates back to 1957 and the creation of the Bay Area Rapid Transit District (BART) in the San Francisco Bay Area. Since then, the Southern California Rapid Transit District, Santa Clara County Transit District and all other public transit guideways planned, acquired, or constructed on or after January 1, 1979 are also under PUC jurisdiction.

Section 99152 of the Public Utilities Code was amended in 1986 to add new requirements for the development of a formal PUC safety oversight program. With the rebirth of interest in light rail systems stimulated by new technology, a clearly defined rail transit system safety oversight policy has been established.

Eddie Damron, PUC transportation operations supervisor, discusses installation of a new switch stand in San Diego.

Safety Oversight

Railroad and Rail Transit System operators have the ultimate responsibility for safety, while the PUC's role is one of safety oversight.

Objectives of the PUC's rail transit safety oversight program include requiring each rail transit system to establish: a safety program to assure that safety hazards are identified and either eliminated or reduced; and a standardized accident investigation process and reporting system.

A new general order currently being drafted will contain regulatory requirements for the development and application of system safety programs. These programs will be used by all public rail transit properties in the state, and will complement the PUC's existing general orders dealing with rail transit safety.

In addition, a set of design and performance safety standards and guidelines will be developed for light rail transit systems. These standards will contain recommended safety practices for track and station construction, signaling systems, train control systems, communication systems, vehicle design and manufacture, system operating rules, and preventive maintenance programs.

Rail Transit -- Fire Safety

The Commission-ordered investigation (I-85-02-007) into the fire safety of the BART system was concluded this year. Three major fire safety issues were addressed: fire hardening of BART rail cars; requirement for second train attendants; and wayside fire safety improvements.

BART's passenger rail transit cars now rank among the most fire safe vehicles in the nation. PUC staff played a major role in the selection of fire retardant materials and were able to convince BART to replace all polyester foam flooring with fire hardened ply metal flooring. Car walls and ceilings have been replaced and contain fire stops; and fire retardant materials have been applied to the bottoms of cars.

As a result of BART fire hardening its rail cars, the Commission determined that BART no longer had to station a second train attendant in trains going through the Berkeley Hills Tunnel or the Transbay Tube.

During 1988-89, PUC staff worked with BART and Bay Area fire service representatives to resolve the long-standing recommendations presented by BART's consultant on Wayside Fire Safety improvements. As a result, BART has agreed to implement: water supply improvements throughout its system; communication systems modifications; wayside obstruction removal; new systemwide graphic standards; and ventilation system modifications.

Los Angeles Light Rail Transit System

The Los Angeles County Transportation Commission (LACTC) is currently designing and constructing two rail transit systems subject to safety oversight by the PUC. The first of these is the 21.2-mile long Los Angeles to Long Beach blue line project which is scheduled to begin service by July 1990. This is a conventional light rail system operating off of an overhead catenary. The second, still in conceptual design, is the 20-mile long Norwalk to El Segundo green line project scheduled to begin service in 1993. This is planned to be a fully automatic, driverless system operating off of a third rail power source.

During 1988-89, the Rail Transit Safety Branch finished reviewing design documents for the Los Angeles to Long Beach blue line project. At the same time, the Branch inspected the completed track work and traction power system for a two-mile long test track segment from the LACTC maintenance facility near Del Amo Boulevard to Willow Street in Long Beach. Similar inspections of other track segments and of vehicle acceptance tests and pre-service operations tests are scheduled to take place during 1990-1991.

Although the LACTC green line project is still in the conceptual design stage, PUC Rail Transit Safety staff stay in close contact with LACTC staff. The PUC staff is particularly interested in two current programs: the preliminary hazard analyses being performed by the design consultants; and LACTC's plans for replacing conventional fail-safe electro-mechanical relays with microprocessors and computer software. The new electronics will perform vital safety functions in the automatic train control system.

Santa Clara County Light Rail Transit System

The Santa Clara County Transit Agency (SCCTA) opened the northern portion of its light rail system in late 1987 and extended service to downtown San Jose in 1988. Ridership has exceeded expectations and is currently running at 7,300 per day. The full 20 mile system is scheduled to be complete in September 1991.

The balance of the SCCTA system is now under construction. PUC staff are monitoring the development of the 10.5 mile South Line with an established safety oversight plan. The plan calls for inspections, witness points and reviews at predetermined points to ensure the SCCTA system adheres to PUC regulations and appropriate industry safety standards.

Sacramento Light Rail Transit System

Sacramento Regional Transit's (SRT) light rail system opened in 1987. Ridership is at capacity and ten new light rail vehicles are on order. PUC staff is providing safety oversight of projects which will increase the amount of double track on the system from the current 60 percent to 85-90 percent and allow the time between trains to be reduced from 15 to 10 minutes.

San Diego Light Rail Transit System

This year, the San Diego Metropolitan Transit Development Board (MTDB) added 11.1 new route miles to the San Diego Trolley light rail system. This new trackage, known as the El Cajon segment of the East Line, was overseen in its entirety from design, through construction, testing and start-up by the Rail Transit Safety Branch to assure compliance with General Order No. 143. The total system length of 31.5 miles has been built under the safety oversight of the PUC.

SCRTD Metro Rail

The Southern California Rapid Transit District's (SCRTD) Metro Rail heavy rail transit project - the Red Line's - initial 4.4-mile long segment will operate entirely in a subway now being built through downtown Los Angeles. The track will run from the Union Station to Wilshire/Alvarado. Service on this segment is scheduled to begin in 1993. Later subway extensions are planned to take the line out to Hollywood and the San Fernando Valley.

During 1988-89, the Rail Transit Safety staff completed inspections of construction activities covering the yard and shops, Union Station, Civic Center Station and Wilshire/Alvarado Station. These inspections will continue until construction is completed in late 1992.

Light Rail Safety Order Revision

The PUC's safety rules and regulations governing light rail transit (LRT) systems are contained in General Order 143. This general order is being revised with assistance from public rail transit agencies. The revised general order will meet current legislative requirements and accommodate present state-of-the-art technology for new LRT systems.

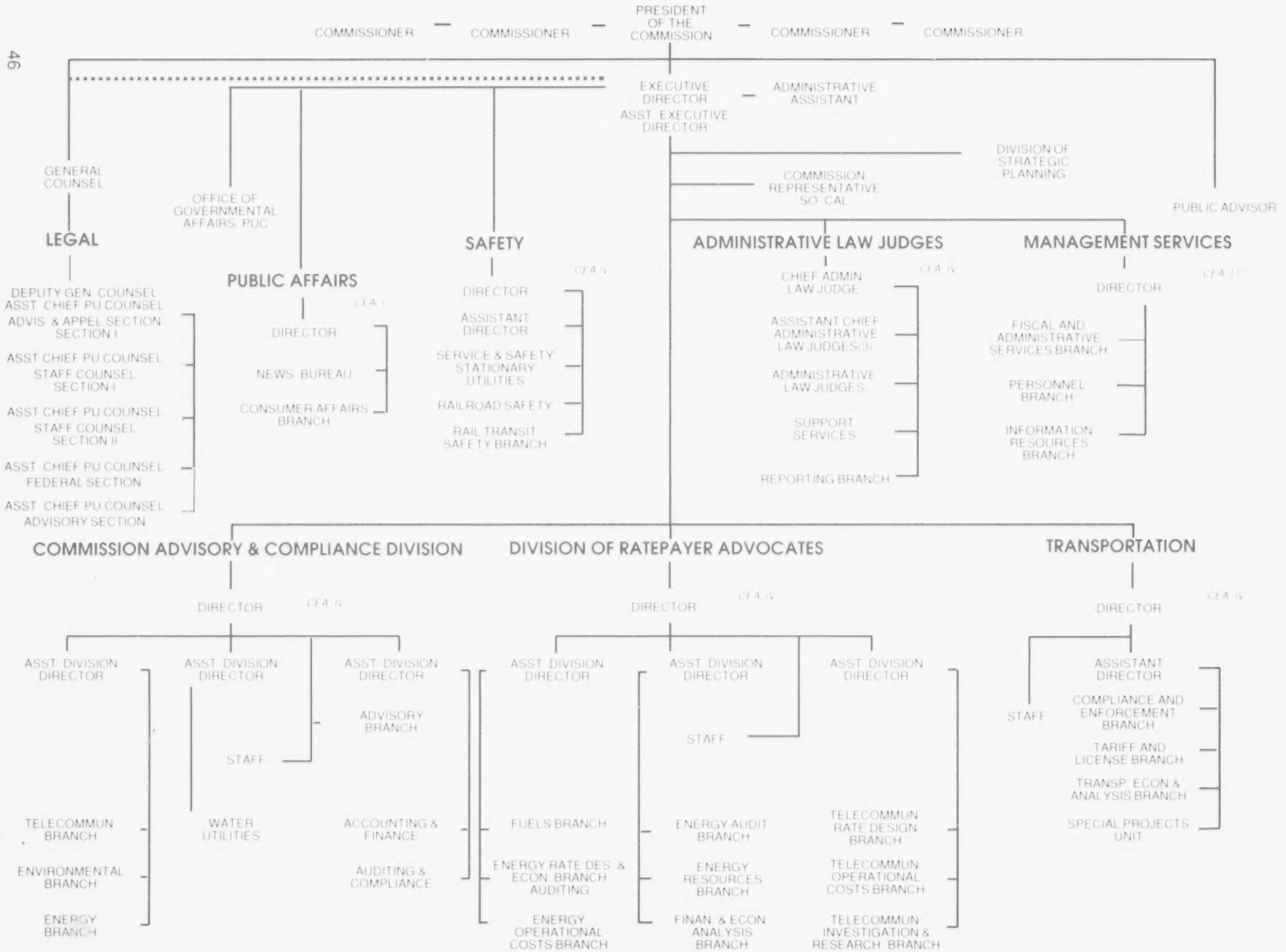
The proposed revised order will include requirements relating to: fire protection; minimum safety equipment to be provided for on LRT vehicles; braking; interior, exterior and emergency lighting; emergency egress; conditions restricting maximum speed; historical streetcars; LRT right-of-way clearance, protective barriers, emergency walkways, signage and right-of-way obstructions; licenses and hours of work limitations and employee substance abuse controls; employee training; inspections, maintenance, and record maintenance; and accident reporting.

System Safety General Order

PUC staff have joined with representatives of each rail transit system in the state to jointly draft a new general order requiring all rail transit operations in the state to develop and implement system safety programs covering the entire scope of their operations. The new general order is expected to be completed by April 1990.

Frank Estrada, federally certified PUC track inspector measures track gage on new San Diego Line.

CALIFORNIA PUBLIC UTILITIES COMMISSION (AUGUST 1989)



ORGANIZATIONAL FUNCTIONS

EXECUTIVE DIRECTOR

The Executive Director, appointed by the Commission, performs the Commission's executive and administrative duties. The Executive Director coordinates, supervises and directs the Commission's operations and affairs, and expedites all matters within the Commission's jurisdiction.

All division directors and other employees except Commissioners, the General Counsel, and the Public Advisor report to the Executive Director. The Executive Director handles all administrative matters relating to personnel, services and material and presents the Commission's budget to the State's fiscal officers and the Legislature.

The Executive Director keeps a full and true record of all Commission proceedings and issues all necessary process, writs, warrants, and notices. When all parties are in agreement, the Executive Director may also dismiss complaints on applications. The Executive Director also administers oaths, certifies to official acts, issues subpoenas for witness' attendance and produces records needed at Commission hearings and investigations.

GENERAL COUNSEL

Section 307 of the Public Utilities Code provides that the General Counsel shall represent the Commission and the People of the State of California in all proceedings under the Public Utilities Act. The General Counsel heads the Legal Division, which provides advice and representation in all matters relating to the regulation of California utilities.

LEGAL DIVISION

Four basic sections implement Legal Division programs. They are the Advisory and Appellate Section, Staff Counsel Sections 1 and 2, and the Federal Agencies Section. In addition to advising the Commission and its staff on all legal matters, the Advisory and Appellate Section reviews petitions for rehearing of Commission decisions and recommends to the Commission whether to grant, deny or modify such petitions. It also defends Commission decisions on appeals to the California Supreme Court.

Staff Counsel Section 1 is responsible for representing the Commission's Division of Ratepayer Advocates in hearings before the Commission dealing with telecommunications, the certification of new power plants or transmission lines and utility financing issues. Staff Counsel Section 1 also represents the Commission before other state administrative agencies like the California Energy Commission.

Staff Counsel Section 2 represents the Division of Ratepayer Advocates in all Commission proceedings involving energy utilities (except those involving certificates or financing), as well as all water and transportation utilities.

The Federal Section represents the Commission in federal courts and before federal administrative agencies, such as the Federal Energy Regulatory Commission, the Federal Communications Commission, and the Interstate Commerce Commission.

DIVISION OF ADMINISTRATIVE LAW JUDGES

The Division of Administrative Law Judges helps the Commission discharge the quasi-judicial functions it must perform under terms of the California Constitution and State Statutes. The Administrative Law Judges conduct public hearings, analyze evidence and prepare recommended decisions for approval by the Commission in formal proceedings.

The Calendar Clerk, Docket Office, Process Office, Formal Files, and Reporting Branch are also part of this division.

A breakdown of Commission activity by days of hearing and number of decisions in formal proceedings is contained in the Statistics section of this report and titled: Annual Hearing/Decision Activity Report.

DIVISION OF RATEPAYER ADVOCATES

The Division of Ratepayer Advocates (DRA) critically reviews and analyzes all utilities' applications that are set for hearing, testifies in hearings and investigations, and makes analyses and recommendations intended to serve the best long-term interests of all utility ratepayers.

The Division of Ratepayer Advocates is comprised of nine branches: Fuels; Energy Rate Design and Economics; Energy Resources; Energy-Operational Costs; Energy-Auditing; Telecommunications-Operational Costs; Telecommunications-Rate Design; Telecommunications Investigation and Research; and Financial and Economic Analysis. In August 1988, staff specializing in transportation issues were added to the Energy Rate Design and Economics unit.

COMMISSION ADVISORY AND COMPLIANCE DIVISION

The Commission Advisory and Compliance Division (CACD) advises the Commission whether to approve, deny, or modify all utility requests that are not assigned for hearing. It oversees enforcement of Commission orders and provides technical assistance to the Commission. It keeps the

Commission informed about major developments affecting each utility within the Commission's jurisdiction. It is comprised of six branches: Telecommunications; Energy; Water Utilities; Accounting and Finance; Auditing and Compliance; and Advisory.

TRANSPORTATION DIVISION

The Transportation Division sees that rates the Commission fixes are just and reasonable and that the service-regulated carriers, freight trains and trucks, privately-owned passenger buses, railroads, and vessels adhere to the state's transportation rules and regulations. It issues operating licenses, collects statutory fees, and cooperates with other state agencies to enforce truck and passenger carrier safety.

SAFETY DIVISION

In February 1989, the staff and functions of oversight of electric, natural gas, rail, and rapid transit safety matters previously performed by other divisions were consolidated into a new Safety Division. The division consists of three branches: Railroad Safety and Operations, Rail Transit Safety, and Utilities Safety.

STRATEGIC PLANNING DIVISION

Looking beyond the PUC's daily responsibilities, the Strategic Planning Division analyzes emerging policy issues and changes in the regulatory environment caused by new economic, financial, institutional and technological trends. The Commission reviews this division's analyses to determine how these trends will affect its role and procedures.

PUBLIC AFFAIRS DIVISION

The Public Affairs Division includes the News Bureau and the Consumer Affairs Branch. The News Bureau keeps the public informed of PUC policy and action by means of print and broadcast media, and a variety of special publications. The Consumer Affairs Branch handles protests, complaints and inquiries from individual utility customers and keeps the Commission informed of consumer concerns.

PUBLIC ADVISOR

The Public Advisor assists people who want to participate in Commission proceedings.

MANAGEMENT SERVICES DIVISION

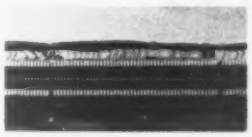
The Management Services Division provides services to support the PUC's daily operation. It also carries out a number of statutory functions required by the Public Utilities Code. It provides, among other things, administrative, data processing, personnel, employee training and development, fiscal, and budget planning services.

STATISTICAL SECTION

MAJOR GAS AND ELECTRIC UTILITY RATE APPLICATIONS FILED

Applications Filed July 1, 1988 to June 30, 1989

Utility	Type of Proceeding	Application Number	Date Filed	Revenue Requested
PG&E	Finan. Attrition	88-07-037	7/20/88	
	Elec.			$87,000,000
	Gas			22,000,000
	ACAP	88-09-032	9/15/88	290,300,000
	General–Elec.	88-12-005	12/5/88	195,451,000
	–Gas	"	"	80,161,000
	ECAC/ERAM/AER	89-04-001	3/4/89	146,220,000
	Cost of Capital			
	Elec.	89-05-019	5/8/89	53,827,000
	Attrition-Elec.	A.L. 1226-E	10/3/88	125,860,000
	-Gas	A.L. 1499-G	9/30/88	39,588,000
Subtotal				1,040,407,000
SDG&E	ECAC/ERAM	88-07-003	7/1/88	(22,607,000)
	ACAP	89-05-006	5/4/89	(31,600,000)
	Cost of Capital			
	Elec. & Gas	89-05-023	5/8/89	21,065,000
Subtotal				(33,142,000)
So Cal Edison	Finan. Attrition	88-07-023	7/25/88	79,800,000
	Operational Attr.	"	"	173,760,000
	ECAC/Trigger	89-03-023	3/17/89	351,300,000
	Cost of Capital			
	Elec.	89-05-021	5/8/89	62,000,000
Subtotal				666,860,000
SoCal Gas	Attrition	88-08-001	8/1/88	38,000,000
	General	88-12-047	12/27/88	153,700,000
	ACAP	89-04-021	4/12/89	(23,000,000)
	Cost of Capital			
	Gas	89-05-011	5/8/89	23,565,000
Subtotal				192,265,000
Subtotal Requested Revenue Increases				1,943,597,000
Subtotal Requested Revenue Decreases				(77,207,000)
NET TOTAL REQUESTED REVENUE CHANGES				$ 1,866,390,000



ELECTRIC RATE PROCEEDINGS

Decisions Effective July 1, 1988 to June 30, 1989

Application No.	Decision No.	Utility	Revenue Increase Requested	Revenue Increase Authorized	%	Proceeding Type
88-02-016	88-09-031	SCE	$627,900,000	$465,000,000	74.0	ECAC/ERAM
87-12-003	88-09-063	SDG&E	(36,000,000)	(60,200,000)	167.2	General
84-06-014 & 85-08-025	88-12-083	PG&E	N/A	284,212,000	N/A	Diablo Canyon
88-07-003	88-12-085	SDG&E	N/A	(74,000,000)	N/A	ECAC 1/
A.L. 1226-E	Res. E-3116	PG&E	125,860,000	116,806,000	92.8	Attrition 2/
88-04-057	88-12-040	PG&E	78,990,000	78,990,000	N/A	ECAC 3/
88-07-023	88-12-094	SCE	173,760,000	116,367,000	67.0	Attrition
88-05-007	89-04-042	SCE	N/A	6,100,000	N/A	4/
88-05-012	89-06-012	SCE	N/A	15,500,000	N/A	5/
A.L. 834-E	Res. E-3156	SCE	11,400,000	11,400,000	100.0	MAABF 7/
A.L. 835-E	Res. E-3157	SCE	17,400,000	17,400,000	100.0	CLMABF 6/
89-03-023	89-06-049	SCE	351,300,000	150,800,000	42.9	Trigger
88-09-013	89-07-018	Sierra Pacific	2,698,000	2,052,500	76.3	ECAC/ERAM
TOTAL			$1,179,548,000	$1,014,906,000	86.0	

1/ Includes revenue changes from A.87-04-044 (SONGS pre and post COD amortization).
2/ Includes revenue changes for ARA mechanism, TRA 1986 adjustment, 1988 expense reductions, and 1990 voluntary capital reductions.
3/ Includes revenue changes for ECAC, AER, ERAM, DCAC, and CFA.
4/ Devers-Valley-Serrano Transmission Line reasonableness.
5/ Balsam Meadows reasonableness.
6/ Conservation load management adjustment billing factor.
7/ Major additions adjustment billing factor.

STATISTICAL SECTION

NATURAL GAS RATE PROCEEDINGS

Decisions Effective July 1, 1988 to June 30, 1989

Application No.	Decision No.	Utility	Revenue Increase Requested	Revenue Increase Authorized	%	Proceeding Type
87-12-003	88-09-063	SDG&E	$22,400,000	$13,400,000	59.8	General
87-06-053	88-11-054	SoCal Gas	11,355,000	36,400,000	320.5	GEDA
88-02-003	88-12-081	SW Gas				
		-Mojave Division	3,930,475	5,731,028	145.8	General
		-Sierra Division	439,721	105,036	23.9	
88-07-003	88-12-085	SDG&E	N/A	1,500,000	N/A	General
88-08-001	88-12-094	SoCal Gas	37,714,000	21,900,000	58.0	Attrition
84-12-015	89-02-074	SDG&E	N/A	(5,928,000)	N/A	General
A.L.1499-G	Res. G-2838	PG&E	39,588,000	37,183,000	93.9	Attrition
88-09-032	89-05-073	PG&E	221,600,000	151,400,000	68.0	ACAP
TOTAL			$337,026,000	$261,391,000	77.6	

STEAM RATE PROCEEDINGS

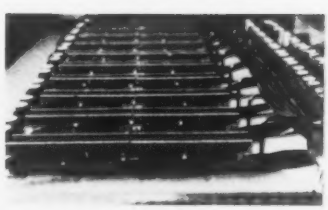
Decisions Effective July 1, 1988 to June 30, 1989

Advice Letter No.	Utility	Revenue Change	Proceeding Type
157-H	San Diego Gas & Electric	$(91,601)	Fuel Cost
160-H	San Diego Gas & Electric	128,257	Fuel Cost
161-H	San Diego Gas & Electric	628,000	Fuel Cost
90-H	Pacific Gas & Electric	801,000	Fuel Cost
91-H	Pacific Gas & Electric	998,000	Fuel Cost
TOTAL		$2,463,656	

BUTANE RATE PROCEEDINGS

Decisions Effective July 1, 1988 to June 30, 1989

Advice Letter No.	Utility	Revenue Change	Proceeding Type
87-G	Southern California Edison	$ (23,400)	Fuel Cost
86-G	Southern California Edison	(85,272)	General
85-G	Southern California Edison	(3,700)	Fuel Cost
83-G	Southern California Edison	45,559	Fuel Cost
82-G	Southern California Edison	88,540	General
TOTAL		$ 21,727	



TELECOMMUNICATIONS RATE PROCEEDINGS

Decisions Effective July 1, 1988 to June 30, 1989

Application No.	Utility	Dollars in Millions Requested Amount	Authorized Amount	Note	% Request Granted
A.87-01-002	GTEC **(1988 TY)**	-$114.0	-$218.1	1	N/A
A.L. 5168	GTEC **(1988 AY)**	30.9	-30.8	2	-119.7
A.L. 15456	Pacific Bell **(1989 AY)**	-175.3	-289.0	3	-164.9
A.88-05-009	Contel **(1989 AY)**	-12.3	-12.3	4	100.0
A.89-01-043	Citizens **(1989 AY)**	-3.0	-3.0	5	100.0
A.89-02-001	Roseville **(1989 AY)**	-0.7	-0.7	6	100.0
TOTAL		-$274.4	-$553.9		-201.9%

Notes:

1. D.88-08-061 ordered additional rate reduction of $218.1million. D.87-12-070 previously ordered $112.2 million reduction. Net % for TY 1988 is -289.7%.
2. Resolution T-13036 issued December 19, 1988 on GTEC's 1989 Attrition Year advice letter filing.
3. Resolution T-13037 issued December 19, 1988 on Pacific's 1989 Attrition Year advice letter filing.
4. D.88-11-050 ordered rate reduction of $12.3 million on Contel's 1989 Financial Attrition filing.
5. D.89-05-059 ordered rate reduction of $3.0 million in Citizens 1989 Financial Attrition filing.
6. D.89-05-059 ordered rate reduction of $0.7 million in Roseville's 1989 Financial Attrition filing.

STATISTICAL SECTION

CUSTOMERS OF LARGE UTILITIES IN CALIFORNIA

Years 1979 through 1988

(Customers in Thousands)

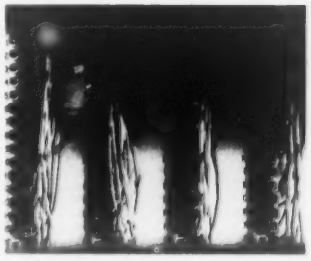
End-of -year	Gas	Steam	Electric	Water	Telephone	Total Increase	Annual
1979	7,067	0.3	7,233	1,138	12,696	28,134	5%
1980	7,203	0.3	7,420	1,150	12,886	28,659	2%
1981	7,328	0.3	7,546	1,100	13,325	29,299	2%
1982	7,384	0.3	7,624	1,004	13,498	29,510	1%
1983	7,438	0.3	7,725	942	13,938	30,043	2%
1984	7,499	0.3	7,892	1,122	14,008	30,521	2%
1985	7,714	0.2	8,084	1,140	14,633	31,571	3%
1986	7,901	0.2	8,307	1,157	15,484	32,849	4%
1987	8,127	0.2	8,561	1,169	15,984	33,841	3%
1988	8,328	0.3	8,812	1,183	16,547	34,870	3%
Annually Compounded Growth Rate 1979-1988							
	1.8%	1.0%	2.2%	0.4%	2.9%	2.4%	-

WATER RATE PROCEEDINGS

(Large Companies)

Decisions Effective July 1,1988 to June 30,1989

Application No.	Decision No.	Utility	District	Rate Increase Requested	Authorized	Percent
88-05-019	89-01-043	SoCal	Barstow	$724,700	$646,400	89.2%
88-05-023	89-01-043	SoCal	Los Osos	151,600	124,200	81.9
88-05-024	89-01-043	SoCal	Metropolitan	2,289,100	1,583,100	69.2
88-03-047	89-02-067	CalAm	Monterey	3,784,800	1 767,000	46.7
88-04-071	89-04-005	CWS	Dixon	106,300	39,700	37.3
88-04-072	89-04-005	CWS	Hermosa	960,100	445,500	46.4
88-04-073	89-04-005	CWS	King City	109,400	53,100	48.5
88-04-074	89-04-005	CWS	Marysville	146,400	83,400	57.0
88-04-076	89-04-005	CWS	Willows	88,100	40,800	46.3
88-04-070	89-04-060	CWS	Los Altos	1,400,500	680,900	48.6
88-04-075	89-04-060	CWS	So. San Francisco	1,001,400	655,500	65.5
88-09-062	89-05-054	Azusa		179,900	179,900	100.0
89-02-047	89-05-045	CalAm	Village	245,000	245,000	100.0
Totals				$11,187,300	$6,544,500	58.5%



WATER RATE PROCEEDINGS

(Small Companies)

Decisions Effective July 1,1988 to June 30,1989

Application No.	Decision No.	Utility	District	Rate Increase Requested	Authorized	Percent
86-10-030	88-08-020	Big Basin		$52,850	$43,290	81.9%
88-01-021	88-10-029	Rural		47,100	16,115	34.2
87-11-001	88-10-056	Graegle		22,850	22,113	96.8
87-09-035	88-11-017	Santa Paula		793,540	520,000	65.5
88-01-012	89-02-019	Dunsmuir	Fort Jones	45,770	23,185	50.7
88-01-013	89-02-067	Dunsmuir	Dunsmuir	93,750	35,095	37.4
Totals				$1,055,860	$659,798	62.5%

WATER RATE PROCEEDINGS SUMMARY

Total Large Water Companies	$11,187,300	$6,544,500	58.5%
Total Small Water Companies	1,055,860	659,798	62.5
Total	$12,243,160	$7,204,298	58.8%

TOTAL WATER RATE PROCEEDINGS

Decisions Effective July 1,1988 to June 30,1989

Type of Proceeding	No. of Proceedings	Total Annual Revenue Increases
General Rate Increases (Formal Decisions)		
Large Companies	13	$6,544,500
Small Companies	6	659,798
Subtotal	19	7,204,298
General Rate Increases (Advice Letters)	24	471,583
Offset Rate Increases (Advice Letters)	17	2,910,852
GRAND TOTAL	60	$10,586,733

STATISTICAL SECTION

UTILITY PLANT OF LARGE UTILITIES IN CALIFORNIA

Years 1979 through 1988

(Dollars in Thousands)

End-of-Year	Gas	Steam	Electric	Water	Telephone 2	Total	Annual Increase
1979	$3,764,462	$10,625	$12,895,178	$ 810,625	$12,791,650	$30,272,540	7%
1980	4,001,702	10,828	13,741,226	866,479	14,507,234	33,127,469	9%
1981	4,273,531	10,284	14,718,839	863,836	15,964,162	35,830,652	8%
1982	4,492,925	10,730	15,715,885	912,587	17,725,438	38,857,565	8%
1983	4,764,054	15,565 1	18,919,338	907,829	18,625,162	43,231,948	11%
1984	5,161,396	16,272	23,109,000	958,005	24,247,083 2	53,491,756	24%
1985	6,054,780	16,643	28,646,772	1,018,823	26,251,420	61,988,438	16%
1986	6,625,358	18,214	33,774,661	1,088,954	27,896,380	69,403,567	12%
1987	7,189,231	20,388	36,816,679	1,159,323	28,864,774	74,050,395	7%
1988	7,747,523	21,771	38,228,768	1,228,255	30,196,419	77,422,736	5%
Annually Compounded Growth Rate 1979–1988	8.3%	8.3%	12.8%	4.7%	10.0%	11.0%	–

1 Previously, majority of plant was allocated to Electric Department for electric production
2 Intrastate through 1983, total company thereafter

OPERATING REVENUE OF LARGE UTILITIES IN CALIFORNIA

Years 1979 through 1988

(Dollars in Thousands)

End-of-year	Gas 1	Steam	Electric 2	Water	Telephone 3	Total	Annual Increase
1979	$3,796,111	$3,786	$5,038,932	$178,173	$4,640,500	$13,657,502	12%
1980	5,024,015	4,315	7,199,207	199,744	5,371,553	17,798,834	30%
1981	5,709,779	5,214	8,176,299	220,281	6,299,403	20,410,976	15%
1982	6,874,163	7,130	9,400,542	235,114	7,385,532	23,902,481	17%
1983	7,116,775	7,099	9,019,897	253,990	7,798,040	24,195,801	1%
1984	7,346,150	7,504	10,175,573	318,524	10,082,796 3	27,930,547	15%
1985	7,806,250	7,030	11,509,798	332,959	10,831,923	30,487,960	9%
1986	5,400,541	6,248	11,416,289	352,698	10,840,087	28,015,863	-8%
1987	5,494,672	6,056	11,607,048	370,544	10,695,236	28,173,556	1%
1988	5,689,425	7,244	12,340,309	371,555	11,308,485	29,617,018	5%
Annually Compounded Growth Rate 1979–1988	4.6%	7.5%	10.5%	8.5%	10.3%	9.0%	–

1 Revenue less interdepartmental sales
2 Revenue less interdepartmental and resale
3 Intrastate through 1983, total company thereafter

MAJOR REVENUE CHANGES

Decisions Effective July 1, 1988 to June 30, 1989

Type of Utility	Revenue Change
INCREASES	
Gas	$ 267,619,000
Butane	134,099
Steam	2,555,257
Electric	1,149,106,000
Communications	-0-
Water	7,204,000
Subtotal	1,426,618,000
REDUCTIONS	
Gas	(5,928,000)
Butane	(112,372)
Steam	(91,601)
Electric	(134,200,000)
Communications	(553,900,000)
Water	-0-
Subtotal	(694,232,000)
NET CHANGES	
Gas	261,391,000
Butane	21,727
Steam	2,463,656
Electric	1,014,906,000
Communications	(553,900,000)
Water	7,204,298
TOTAL NET REVISIONS	$732,386,000

STATISTICAL SECTION

HIGHWAY CARRIER OPERATING AUTHORITIES PROCESSING OF HIGHWAY CARRIER PERMITS AND CERTIFICATION

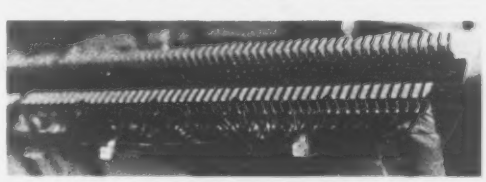
Permits	
New Permits	3,972
Transfers	749
Revocations	4,663
Motor Transportation Broker Licenses	62
TOTAL	9,446
Certificates	
New Certificates and Extensions	219
Transfers	60
Revocations	319
TOTAL	598

DECISIONS GRANTING NEW OR CHANGED CARRIER SERVICES AND RESOLVING COMPLAINTS 1988-89

Note AA = AIRPORT ACCESS IC = INTERCITY HTW = HOME-TO-WORK VCC = VESSEL COMMON CARRIER

EXTENSION OF SERVICE

D8809068	AIRPORT LIMOUSINE SERVICE OF SUNNYVALE, INC.	ICAA	SCHEDULED VAN SERVICE SF – SFO
D8808013	ALFREDO ANDRES DBA SACRAMENTO AIRPORT TRANSIT	AA	SACRAMENTO/RANCHO CORDOVA – SMA
D8902052	ALFREDO ANDRES DBA SACRAMENTO AIRPORT TRANSIT	AA	SACRAMENTO COUNTY – SMA
D8811006	AMERICAN TRANSPORTATION ENTERPRISES, INC. DBA AMTRANS	AA	LA COUNTY – LAX
D8812066	BAY AREA SUPERSHUTTLE, INC.	AA	S.F. – SFO
D8904069	CATALINA CHANNEL EXPRESS, INC.	VCC	QUEEN MARY LANDING – SANTA CATALINA ISLAND
D8905008	COAST SHUTTLE	AA	LOS ANGELES COUNTY – LAX
D8904062	HASSAN M. HOSSEINI DBA SUPER EXPRESS	AA	LOS ANGELES – LAX
D8810053	MARLENE THOMAS DBA VALLEY TRANSPORTATION SERVICE	IC	SALTON CITY
D8807047	R. L. MILLER DBA COUNTRY CLUB LIMOUSINES	ICAA	ON-CALL ANAHEIM – ONTARIO AIRPORT
D8809006	SAN DIEGO AIRPORTER EXPRESS, INC, DBA THE AIRPORTER EXPRESS PASS	ICAA	SAN DIEGO CO AND LAX
D8808026	SANTA BARBARA AIRBUS	ICAA	SERVICE TO INCLUDE DOOR TO DOOR
D8812046	SANTA CRUZ TRANSPORTATION, INC. DBA SANTA CRUZ AIRPORTER	IC	SANTA CRUZ – SAN JOSE CALTRANS STATION
D8811010	SONOMA AIRPORTER, INC.	AA	SONOMA CO . – SFO REMOVE EQUIP RESTRICTION
D8812019	WALTER P. HENRICKSEN DBA WALT'S COMMUTE SERVICE	HTW	SANTA ROSA – UALMB
D8903008	YELLOW CAB CO-OP DBA YELLOW AIRPORTER & TOUR SERVICE	AA	SAN MATEO – SFO



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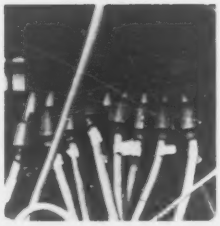


INSURANCE AND BOND FILINGS OF HIGHWAY CARRIERS OF PROPERTY/PASSENGERS

	Property	Passengers
Workers Compensation Insurance	12,572	N/A
Public Liability and Property Damage	31,734	3,843
Cargo Insurance (Household Goods Carriers)	649	N/A
Insurance Cancellations	36,190	1,671
Insurance Reinstatements	12,281	353
Surety Bond and C.O.D. Bonds	2,586	N/A
TOTAL	96,012	5,867

NEW SERVICE

D8807030	ABRAHAM NEWMAN	IC	SAUSALITO – SF
D8904029	ALBERTO SEMEDO DBA ALBERTO TRANSPORT	AA	L.A. COUNTY – LAX
D8810026	BAHRAM SHAHAB DBA LA XPRESS	AA	L.A. COUNTY – LAX
D8902012	CAL-PAC TRANSPORT, INC.	AA	SAN DIEGO – SAN
D8812016	DEL CORONADO TRAVEL & PROPERTIES, INC.	AA	HOTEL DEL CORONADO – SAN
D8809056	DESERT CARAVANS, INC. DBA DESERT RESORT TRANSPORTATION	AA	PALM DESERT – PSA
D8902010	FLYNN LIMO & CHARTER SERVICE DBA SAN FRANCISCO POINTS OF INTEREST	IC	SF – BERKELEY
D8902003	GLEN STANTON DBA SEA BREEZE AIRPORT SERVICE	AA	SAN DIEGO COUNTY – SAN
D8902011	GREATER SAN DIEGO AERO EXPRESS	AA	SAN DIEGO – SAN
D8808037	IL-SUNG KO DBA TAEGUK AIRPORT SERVICE	AA	LOS ANGELES COUNTY – LAX
D8808007	J. BURNHAM & B. BURNHAM DBA PEERLESS LIMOUSINE SERVICE	AA	SAN DIEGO COUNTY – SAN
D8812023	KENNETH E. BAKE DBA FREMONT COMMUTE SERVICE	HTW	FREMONT/HAYWARD – SFO
D8903009	LATIN AMERICAS TRAVEL & TOURS, INC.	HTW	HOLLISTER – SFO
D8905055	LINKLINE TRANSIT, INC.	IC	TUOLUMNE/STANISLAUS COUNTIES
D8807003	LOUNGE CAR TOURS CHARTER COMPANY	ICAA	BUENA PARK/ANAHEIM – LAX/JOHN WAYNE
D8807028	M. ARAM DBA LOS ANGELES TOP SHUTTLE	AA	LOS ANGELES COUNTY – LAX
D8903039	NABEEL BERBAWY DBA LAND AIR EXPRESS	AA	LOOMIS – SMA
D8903049	ORANZA WILEY DBA WILEY'S CHARTER LINE	HTW	VALLEJO – SF
D8904032	RAINBOW RIDE, INC.	AA	SAN DIEGO COUNTY – SAN
D8901038	RON LAGOE'S AMBASSADOR TRANSPORTATION SERVICE	AA	DAVIS – SMA
D8808040	SAN DIEGO MINI TOURS, INC. DBA MINI TOURS	AA	SAN DIEGO COUNTY – SAN
D8901005	SHUTTLE EXPRESS, INC. DBA SHUTTLE EXPRESS	AA	SAN FRANCISCO COUNTY – SFO
D8902076	SUREN NAZARYAN DBA APOLLO-SOYUZ AIRPORT PASSENGER SERVICE	AA	LOS ANGELES COUNTY – LAX
D8905014	UNIVERSAL EXPRESS, INC.	AA	L.A. COUNTY – LAX
D8904007	UNIVERSAL TRANSIT SYSTEM, INC	AA	LOS ANGELES COUNTY – BUR
D8905017	WHITNEY E. CARTER	AA	SAN DIEGO COUNTY – SAN
D8812065	WOO JIN KIM DBA SEOUL SHUTTLE	AA	L.A. COUNTY – LAX
D8809051	YOUTHWAYS TRANSPORTATION, INC	IC	SIMI VALLEY – TOPANGA

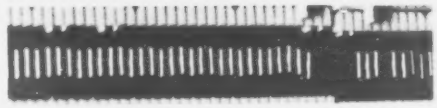
ABANDONMENT

D8809057	FRANCISCAN LINES , INC.	HTW	DANVILLE – SF
D8807039	LAKE COUNTY TRANSIT, INC.	AA	LAKEPORT – SFO

COMPLAINTS

D8812012	AIRPORT LIMOUSINE SERVICE OF SUNNYVALE, INC. VS B.A. SUPERSHUTTLE	AA
D8902006	AIRPORT SERVICE INC. VS LOUNGE CAR TOURS	IC
D8810045	FUNBUS SYSTEMS, INC. VS GROUND SYSTEMS, INC.	AA
D8807042	FUNBUS SYSTEMS, INC. VS GROUND SYSTEMS INC.	AA
D8905033	SUPERSHUTTLE OF LOS ANGELES, INC. VS AMERICAN TRANS. ENTERPRISES	AA

STATISTICAL SECTION

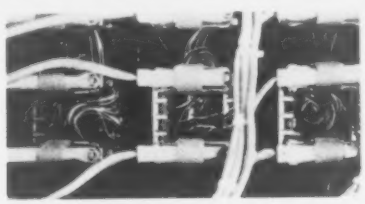


FARES

			PRESENT FARES	PROPOSED FARES
D8810007	AIRPORT LIMOUSINE SERVICE OF SUNNYVALE, INC.	AA	ZORF	
D8807017	CATALINA CHANNEL EXPRESS, INC.	VCC	$5,082,415	$5,595,074
D8810001	CLIVE ANDREW DE PAULE DBA GOOD NEIGHBORS AIRPORT SHUTTLE	AA	ZORF	
D8812013	COAST SHUTTLE INC.	AA	ZORF	
D8905041	EUREKA–REDDING STAGES, INC. DBA REDWOOD EMPIRE LINES	IC	$114,124	$125,536
D8901008	INLAND EXPRESS SERVICES, INC.	AA	ZORF	
D8904066	JOHN E. HUNTER DBA COMMUTER CLUB	HTW	$87,246	$96,400
D8810046	LORRIE'S TRAVEL AND TOURS, INC.	AA	ZORF	
D8904028	METROPOLITAN PARATRANSIT CO. INC (CELEBRITY AIRPORT LIVERY)	AA	$2,201,710	$3,067,120
D8812026	PHILIP NICOLA DBA DOWNTOWN SHUTTLE	AA	$76,654	$139,370
D8808041	SANTA BARBARA AIRBUS	AA	ZORF	
D8812073	SFO AIRPORTER, INC.	AA	ZORF	
D8906010	SONOMA COUNTY AIRPORT EXPRESS, INC	AA	ZORF	
D8808012	STAR & CRESCENT BOAT CO.	VCC	$523,389	$812,300
D8810027	TRAVIS EXPRESS, INC.	AA	ZORF	
D8904030	WESTERN GREYHOUND LINES CO.	IC	ZORF	
D8902013	YELLOW CAB COOPERATIVE, INC. DBA YELLOW AIRPORT VAN AND TOUR SERV	AA	ZORF	

TRANSFER

TRANSFERRED FROM		TRANSFERRED TO	
D8808005	AIRPORT TRANSPORTATION COMPANY	AA	F. SOLLECITO
D8812074	DANNY D. SOHN	AA	ABIA TRANSIT SYSTEM, INC.
D8811005	ELAINE S. JAROS DBA AIRPORT BUS SERVICE	AA	ANTHONY L. FEIST
D8904018	FUNBUS SYSTEMS, INC. DBA FUN BUS/AIRLINK	AA	GROUND SYSTEMS, INC.
D8904062	HASSAN H. HOSSEINI DBA SUPER EXPRESS	AA	SOUTHERN SUPER EXPRESS, INC.
D8808011	ISLAND EXPRESS, INC.	VCC	CATALINA CHANNEL EXPRESS, INC.
D8807012	JOHN BERUBE DBA AIRPORTER EXPRESS	AA	SAN RAMON VALLEY AIRPORTER EXPRESS
D8906011	LOUNGE CAR TOURS, INC.	AA	WONDERBUS, INC.
D8809032	MAGDY MIKHAIL AWAD DBA MIKE'S AIRPORT SHUTTLE	AA	MIKE'S AIRPORT SHUTTLE, INC.
D8811060	PINETREE SERVICE CORPORATION	AA	GROUND SYSTEMS, INC.
D8901010	SAMUEL A. VERTELNEY	VCC	32ND STREET PIER GROUP, INC.
D8807055	WILLIAM H. WEGGERS DBA SHASTA SKYHAWK	ICAA	INDIVIDUAL TO CORPORATION



STATISTICAL SECTION

CLASSIFICATION OF ACCIDENTS

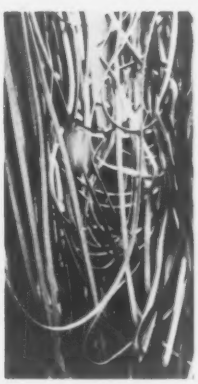
1988

Type of Accident	ACCIDENTS Total	ACCIDENTS % of Total	CASUALTIES Killed	CASUALTIES Injured	CASUALTIES Total	CASUALTIES % of Total
VEHICLE-TRAIN ACCIDENTS						
Vehicle-Train at Public Crossings	159	85.95	19	52	71	89.88
Vehicle-Train at Private Crossings	17	9.19	3	1	4	5.06
Vehicle-Train Between Crossings	1	0.54				
Subtotal	177	95.68	22	53	75	94.94
OTHER ACCIDENTS						
Miscellaneous	2	1.08				
Pedestrian Accidents	6	3.24	2	2	4	5.06
TOTAL	185	100.00	24	55	79	100.00

"Vehicle" includes automobile, bus, truck, or motorcycle.

"Between Crossings" accidents take place where railroad trains operate longitudinally in paved streets.

"Miscellaneous" includes those accidents where the train struck bicycle, farm tractor or similar conveyance, and those incidents involving a maintenance train.



SAFETY PROGRAM-RAILROAD OPERATIONS

The table below summarizes the Staff Functions in dealing with problems and in obtaining compliance with Federal and State statutes and Commission General Orders applying to common carrier railroads and the health and safety of operating and non-operating employees, passengers and the public.

	84-85	85-86	86-87	87-88	88-89
1. Accident Reports analyzed and tabulated (calendar year)	2308	2026	1685	1425	1505
2. Casualties investigated in detail (calendar year)	187	161	148	165	85
3. Train accident investigations (calendar years)	102	79	60	57	59
4. Impaired clearance conditions processed	703	587	488	258	102
5. Walkways and other unsafe conditions processed	883	1857	1372	580	245
6. Operational safety reviews	100*	100*	100*	685	410
7. Equipment inspections	200*	200*	200*	805	705
8. Total inspection transactions.	949	3024	2113	2521	1519
9. Informal complaints filed	76	105	78	58	77
Informal complaints closed	80	92	110	39	62
10. Federal Safety Standards Unit (CalendarYear)					
Equipment Inspections	275	201	272	247	217
Track Inspections	153	162	205	206	185

*These figures were not tabulated for these years and represent estimates made in retrospect.

Note: Decreases in categories 4 and 5 are due to new inspection and compliance procedures. Random inspection and follow-up enforcement activities have replaced a comprehensive survey procedure which was a less efficient use of staff time. Additionally, the decreases in categories 4 and 5 and the increases in category 6 are in part due to an expansion of the program to enforce Federal as well as State statutes.

AUTOMATIC GRADE CROSSING PROTECTION AND MAINTENANCE FUND APPROPRIATIONS AND PAYMENTS

Fiscal Year 1988-89

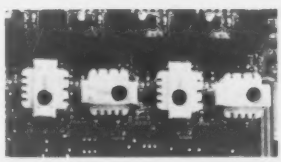
Fiscal Year	APPROPRIATIONS Amount	APPROPRIATIONS Cumulative	AUTHORIZED PAYMENTS Amount	AUTHORIZED PAYMENTS Cumulative
1988-89	$1,000,000	$21,651,224	$1,000,000	$19,521,581

STATISTICAL SECTION

AUTOMATIC PROTECTION INSTALLED AT GRADE CROSSINGS BY COUNTY

County	Column I Number of New Crossings with Automatic Protection	Column II Initial and Improved Automatic Protection	Column III* Traffic Signals	Column IV Automatic Gates Included in Cols I & II
Alameda	1	1		
Colusa		1		1
Fresno	1	3		4
Glenn		2		2
Imperial		1		1
Kern		4		4
Lassen	2	1		3
Los Angeles		8	4	8
Merced		1		1
Modoc	2			2
Orange		2		1
Riverside		1		1
San Bernardino	1	2		3
San Diego		4	4	2
San Joaquin		4		4
Stanislaus		1		1
Sutter		1		1
Ventura	2	1		3
Total	9	38	8	42

* Column III primarily applies to Light Rail Transit system operation on city streets. Traffic signal protection refers to signaling that governs vehicle and train traffic, often with train movements preempting the normal cycle of signal operations.



GRADE SEPARATION FUND PROJECTS GRANTED ALLOCATIONS BY THE CALIFORNIA TRANSPORTATION COMMISSION

1988-89

Line	Local Agency	Railroad	Allocation
1. NEWARK BLVD.	FREMONT	SPTCO	$ 1,603,751 ^
2. ALHAMBRA	ALHAMBRA	AT&SF	7,961,631 *
3. LOMBARD	CALTRANS	SPTCO	929,303 *
4. MAIN-RIO VISTA	FAIRFIELD	SPTCO	520,000 *
5. ANTELOPE ROAD	SACRAMENTO COUNTY	SPTCO	2,848,000
6. FAIRFAX ROAD	KERN COUNTY	SPTCO	1,137,315 #
Total Allocation			$15,000,000

*Supplemental allocation

^Balance Allocation, Section 2460.5 S & H Code

#Total Amount Requested $3,760,000

PUC LEGAL PROCEEDINGS

July 1, 1988 - June 30, 1989

APPLICATIONS FOR REHEARING

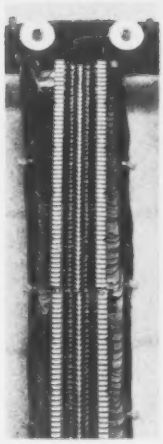
Filed	Granted	Denied	Action Pending	Dismissed
67	5	45	16	1

APPEALS TO CALIFORNIA SUPREME COURT

Filed	Hearing Granted	Denied	Action Pending	Dismissed
9	1	5	3	0

FEDERAL COURT APPEALS

PUC Position Affirmed	PUC Position Rejected	Pending
6	1	14



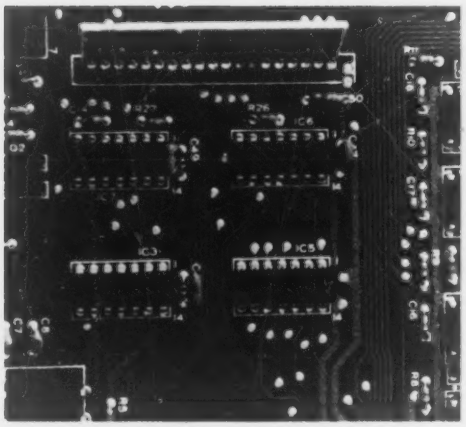
STATISTICAL SECTION

CONSUMER AFFAIRS SUMMARY REPORT

1988-1989

UTILITIES	SAN FRANCISCO	LOS ANGELES	TOTAL	CENTREX-TRANSFER	
Total Cases Filed	29,079	25,060	54,139	PG&E	1,774
				PAC BELL	1,077(N)
Backlog Carryover	416	797	1,213		1,026(S)
				GENERAL	715
Cases Closed	29,116	25,064	54,180	EDISON	2,550
				SOCAL GAS	1,687
Cases Still Open	379	793	1,172		8,829
Money Refunded	$268,264.03	$586,064.28	$854,328.31	CAB FILED	54,139
					62,968

	FILED			STILL OPEN			MONIES REFUNDED	
CASE DETAIL	S.F.	L.A.	TOTAL	S.F.	L.A.	TOTAL	S.F.	L.A.
Communications	10,181	12,675	22,856	148	404	552	$109,340.93	$423,016.25
Electric	12,655	6,926	19,581	168	190	358	104,602.64	436,386.51
Gas	1,391	3,724	5,115	35	158	193	50,520.15	113,598.70
Water	3,067	844	3,911	23	39	62	3,446.29	3,062.82
Other	1,785	891	2,676	5	2	7	354.02	
Totals	29,079	25,060	54,139	379	793	1,172	$268,264.03	$586,064.28



ANNUAL HEARING/DECISION ACTIVITY REPORT

FISCAL YEAR 1988-89

UTILITY MATTERS

	Hearing Days				CPUC Decisions			
	SF	LA	Other	Total	ALJ Div	Branches	Exec. Session	Total
WATER AND SEWER UTILITIES								
Complaints	3		10	13	14	1	1	16
Rate Matters	34	14	27	75	21			21
Certification/Transfers	2		4	6	21			21
Miscellaneous	9		1	10	2	1		3
Commission Investigations	6	3		9	4			4
Finding of Just Compensation-Condemnation	3	1		4	5		1	6
	57	18	42	117	67	2	2	71
ELECTRIC UTILITIES								
Rate Matters (General Rate Cases)	50	7	1	58	7		1	8
ECAC–(Energy Cost Offset)	61		2	63	12		1	13
Major Plant Additions								
a. Rate Base Offset	1	5		6	1			1
b. MAAC	11		2	13	6	2	3	11
Certification								
a. Power Plants				0	2			2
b. Transmission Line Siting	4		1	5	2			2
Deviations from Undergrounding Rules				0				0
Complaints	16	4	7	27	27		2	29
Electric Safety/Line Extension				0				0
Miscellaneous	11		1	12	13	1	1	15
	154	16	14	184	70	3	8	81
GAS UTILITIES								
Rate Matters (General Rate Cases)	41	16	5	62	13			13
Gas Cost Offset–(Offset Matters)	2	1		3	3			3
LNG Siting				0				0
Gas Safety				0	2			2
Certification of Facilities	1			1	1			1
Complaints	4	8	2	14	7			7
Gas Service Priorities–Curtailment				0	1			1
Miscellaneous (including pipelines–gas & oil)				0	6		4	10
	48	25	7	80	33	0	4	37
MULTI UTILITIES								
Gas and Electric (Rates)	12	2	1	15	8			8
Complaints	5		2	7	11		2	13
Commission Investigations	23	11	5	39	24	1	5	30
Miscellaneous	8		2	10	9	1	1	11
Rulemaking (All utilities)	9	1		10	20			20
	57	14	10	81	72	2	8	82
TELEPHONE UTILITIES/COMMUNICATIONS								
Rate Matters (General Rates)	15	1		16	32		3	35
Commission Investigations	70		6	76	14		2	16
Terminal Equipment (PBX Sales-Pricing)				0				0
Radio Telephone Utility (RTU) Certification	7			7	39			39
Other Common Carrier (OCC) Certification	9			9	46		1	47
Complaints	20	11	11	42	54	1	1	56
Miscellaneous	20			20	11		2	13
Enhanced Services	12			12	2			2
	153	12	17	182	198	1	9	208

(continued)

ANNUAL HEARING/DECISION ACTIVITY REPORT

UTILITY MATTERS

	Hearing Days				CPUC Decisions			
	SF	LA	Other	Total	ALJ Div	Branches	Exec Session	Total
FINANCING/TRANSFER OF UTILITIES OR CONTROL								
Combined Gas and Electric Utilities				0		2	3	5
Gas (Only)	8			8	1	5		6
Electric (Only)	1			1	11	5		16
Telephone	1		1	2	8	5		13
RTU				0				0
OCC				0				0
Water/Sewer				0	5	5		10
	10	0	1	11	27	23	0	50
HAZARDOUS WASTE MANAGEMENT PROGRAM								
Cost Recovery	1			1	3			3
ALTERNATIVE ENERGY – CONSERVATION								
Zero Interest Financing								
Gas				0				0
Electric				0				0
Residential Conservation Service								
Gas				0				0
Electric				0				0
Load Management (Electric Only)				0				0
Solar Financing–Demonstration								
Gas				0				0
Electric				0				0
Solar Related Matters								
Gas				0				0
Electric				0				0
Utility Resource Plan (Electric Only)								
Cogeneration–Small Power Production (Electric Only)								
OIIs–OIRs				2				2
Individual Applications				0	2			2
	0	0	0	0	4	0	0	4
TOTAL UTILITY	479	85	91	656	474	31	31	536

TRANSPORTATION MATTERS

	Hearing Days				CPUC Decisions			
	SF	LA	Other	Total	ALJ Div	Branches	Exec. Session	Total
HIGHWAY CARRIER RATES								
Rate Increase Applications and/or Minimum Rate Case Petitions for Modification	6			6	21	25	3	49
Applications for Deviations From Minimum Rates	2			2	56	2	1	59
Commission OIIs or OIRs Into Generic Rate Matters and/or Rules or Policy	62	7		69	12			12
Rate Enforcement (OIIs)	1			1	1			1
Safety-Insurance Matters				0	2			2
I&S Complaints About Rate Levels	3	1		14	11	1		12
Complaints (Other Than Rate Levels)				1	3	2		5
Miscellaneous				0	8	2		10
	74	8	0	93	114	32	4	150
HIGHWAY CARRIER CERTIFICATION AND TRANSFER OF OPERATING AUTHORITY								
Common Carriers (Certificates)				0	1			1
Permitted/Specialized Carriers (e.g., Dump Truck)			1	1	1	4	1	6
	0	0	1	1	1	5	1	7

(continued)

ANNUAL HEARING/DECISION ACTIVITY REPORT

TRANSPORTATION MATTERS

	Hearing Days				CPUC Decisions			
	SF	LA	Other	Total	ALJ Div	Branches	Exec Session	Total
HIGHWAY CARRIER FINANCING–ACQUISITION OF CONTROL								
(Issue Stock, Bonds, or Acquire Stock Control of Entity)				0	5			5
SURFACE PASSENGER MATTERS								
Certification & Transfer of Operating Authority								
Passenger Stage	9	23	5	37	61	4	3	68
Charter Party	2	1	3	6	4		1	5
Vessel				0	3			3
Rates								
Passenger Stage		2		2	11	4		15
Vessel				0		2		2
Complaints								
Bus: Passenger Stage	2	3		5	17		1	18
Charter Carriers				0				0
Vessel				0	1			1
Rail				0	1			1
BART				0				0
OIIs–OIRs								
Bus	5			5	1		1	2
Vessel				0		1		1
Rail				0				0
BART				0	1		1	2
Safety–Compliance/Safety Rules								
BART	1			1		5		5
Rail Safety				0	3			3
Bus				0	1			1
Vessel				0				0
	19	29	8	56	104	16	7	127
RAIL CROSSINGS								
Applications	2	2	5	9	19	48	9	76
OIIs–OIRs				0	2		1	3
Complaints				0				0
	2	2	5	9	21	48	10	79
MISCELLANEOUS								
Surface Passenger Matters	1			1	1			1
TOTAL TRANSPORTATION	96	39	14	160	246	101	22	369

ANNUAL SUMMARY
FISCAL YEAR 1988-89

	Hearing Days				CPUC Decisions			
	SF	LA	Other	Total	ALJ Div	Branches	Exec. Session	Total
TOTAL UTILITY	479	85	91	656	474	31	31	536
TOTAL TRANSPORTATION	96	39	14	160	246	101	22	369
GRAND TOTAL	575	124	105	816	720	132	53	905

Of the 905 decisions, 155 decisions were issued by Executive Director order.

APPENDIX

UTILITIES AND CARRIERS UNDER COMMISSION JURISDICTION

1988-89

Electric	10
Gas	6
Steam	2
Pipelines	7
Water	239
Sewer	10
Telephone (local)	23
Telephone (long distance)	124
Telegraph	1
Mobile Radio Telephone	98
Cellular Radio Resale	55
Cellular Radio Facilities	19
Commercial Air Operators	1,198
Charter-Party Carriers, Certificated	275
Charter-Party Carriers, Permits	1,182
Passenger Stages	144
Highway Common Carriers, Certificated	3,461
Cement Carriers, Certificated	169
Freight Forwarders	20
Express Corporations	9
Railroads	24
Inland Passenger Water-Carriers, Certificated	18
Inland Water-Carriers, For-Hire	356
Freight Water-Carriers, Certified	2

Permits in force, June 30, 1989 (Highway contract carriers, cement contract carriers, household goods carriers, dump truck carriers, livestock carriers, heavy specialized carriers, agricultural carriers, tank truck carriers, vacuum truck carriers, and seasonal agricultural and livestock carriers) 35,152

These permits are held by 21,951 for-hire truck operators.

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PAUL CLANON

STANLEY W. HULETT Commissioner
Advisors: MARY MCKENZIE
BILL MEYER

FREDERICK R. DUDA Commissioner
Advisors: FRED HARRIS
ERIC WOYCHIK

JOHN B. OHANIAN Commissioner
Advisors: JAMES WEIL
MALCOLM McCAY

PATRICIA M. ECKERT Commissioner
Advisor: PETER O'DONNELL

DONALD VIAL Commissioner (Term ended 1-89)
Advisors: EVELYN LEE
TOM BEACH

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VICTOR WEISSER Executive Director

WESLEY FRANKLIN Asst. Executive Director

MICHAEL A. DOYLE Commission Representative-Southern California

O. MAXINE HARRISON Asst. Commission Representative–Southern California

LEGAL DIVISION

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MICHAEL B. DAY Deputy General Counsel

WILLIAM N. FOLEY Asst. General Counsel

IRA R. ALDERSON, Jr. Asst. General Counsel

J. CALVIN SIMPSON Asst. General Counsel

DIVISION OF ADMINISTRATIVE LAW JUDGES

MARY C. CARLOS Chief Administrative Law Judge

ROBERT T. BAER Asst. Chief Administrative Law Judge

LYNN CAREW Asst. Chief Administrative Law Judge

GREGGORY L. WHEATLAND Asst. Chief Administrative Law Judge

DIVISION OF RATEPAYER ADVOCATES

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BRUCE DeBERRY Deputy Director

EMILY T. MARKS Deputy Director

EDMUND J. TEXEIRA Deputy Director

LOUIS G. ANDREGO Telecommunications Operational Costs

KENNETH K. CHEW Energy Auditing

MAHENDRA JHALA Fuels

THOMAS LEW Telecommunications Investigation and Research

DAVID MORSE Energy Resources

TERRY R. MOWREY Financial and Economic Analysis

TERRY L. MURRAY Energy Rate Design and Economics

DAVID M. SHANTZ Telecommunications Rate Design

JOHN YAGER Energy Operational Costs

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JAMES D. PRETTI Deputy Director Chief Accountant

DEAN J. EVANS Deputy Director Compliance

KENNETH K. LOUIE Auditing and Compliance

JEFFREY P. O'DONNELL Energy

KEVIN P. COUGHLAN Telecommunications

JIM C. McVICAR Water Utilities

JAMES WEIL Advisory

DOUGLAS M. LONG Accounting and Finance

TRANSPORTATION DIVISION

KENNETH K. HENDERSON Director

PAUL J. TRAHAN Asst. Director

WILLIAM OLIVER Asst. Director

GEORGE T. KATAOKA Compliance and Enforcement

ROBERT E. WALKER Tariff and License

TED E. PECEIMER Motor Carrier Planning and Policy

WILLIAM SCHULTE Rail Transit Planning and Policy

WILLIAM H. WELL Railroad Operations and Safety

(This Branch moved to the Safety Division in February 1989)

SAFETY DIVISION [Established February 1989]

BRUNO A. DAVIS Director

WILLIAM OLIVER Asst. Director

RUSS COPELAND Utilities

WILLIAM H. WELL Railroad

ALEX LUTKUS Rail Transit

STRATEGIC PLANNING DIVISION

ERIK B. JACOBSON Director

OFFICE OF PUBLIC AFFAIRS

BRUCE H. KENNEDY Director

MARCO VALENTI Consumer Affairs

DIANNE H. DIENSTEIN Senior Public Information Officer

ARMANDO B. RENDON Public Information Officer

CAROLE KRETZER Public Information Officer-Southern California

PUBLIC ADVISOR

ROBERT T. FERARU

ALANNAH KINSER Asst. Public Advisor

DOROTHY TAYLOR Asst. Public Advisor–Southern California

MANAGEMENT SERVICES DIVISION

LEON D. MUNOZ Director

GEORGE CARAZO Personnel

ROBERT PAASCHE Data Processing

WILLIAM CHRISTIE Administrative Services

HERBERT C. KAUFMAN, JR. Reporting

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